Copyright Notice

Publication Date: Spring 2005

Printed in USA.

While every attempt has been made to produce an accurate and complete manual, there is no warranty, expressed or implied, to that effect. DRAKE ENTERPRISES, LTD. assumes no liability for damages or claims resulting from the use of the information contained herein.

TRADEMARKS

The Drake Software Logo and *Drake Software* are registered trademarks of Drake Enterprises, LTD.

Other product names mentioned in this manual may be trademarks or registered trademarks of their respective companies.

Table of Contents

Welcome

Thank you for taking the time to review the *2004 Drake Software* and Evaluation Guide. We appreciate this opportunity to familiarize you with our software and its capabilities. *Drake* is a pioneer in the Tax Software and electronic filing industry. This year alone *Drake* filed over 5 million IRS accepted electronic returns. If you are not already e-filing your client's returns, let us help you! Electronic filing is FREE for federal and state returns in *Drake Software.*

You may also review this guide and receive CPE credits (see "CPE Information" on page 3 for details).

Upon completion of this Evaluation Guide you will be able to:

- Navigate *Drake Software*
- Prepare a basic 1040 and 1120 return
- Examine returns
- E-file returns

If you have any questions about the *2004 Drake Software*, please feel free to contact your salesperson at 1.800.890.9500 or our courteous and knowledgeable support staff at 1.828.524.8020.

This Evaluation CD contains:

- A complete copy of the *2004 Drake Software*
- All state programs
- Computer based tutorials
- Practice returns and solutions in PDF format
- 2004 Drake User's Manual in PDF format
- 2004 Drake Business Package Manual in PDF format

We are proud to offer our tax preparation software as one complete suite:

- Tax preparation software for Forms 1040, 1065, 1120, 1120S, 990, 706, 709 and 1041
- State personal and business tax preparation packages
- Electronic filing
- Bank products
- Blank federal and state forms for viewing and printing
- Online CCH Master Tax Guide Plus
- Many other features

CPE Information

No prerequisites are necessary to participate in this self-study (distance-learning) overview course. There is no charge to participate in this program and no refund policy.

To receive CPE credits (5 NASBA credits or 3 Federal/0 State CA CTEC credits), install the Drake Evaluation CD and follow through with the chapters in this guide. Submit the completed final exam answer sheet and evaluation to Drake Software Education, 235 E. Palmer St., Franklin NC, 28734-3049 or fax to 828.349.5713.

For questions or complaints regarding Drake Software CPE credits, contact Drake Education at 828.524.8020.

Drake Software is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors. State boards of accountancy have final authority on the acceptance of individual courses for CPE credit. Complaints regarding registered sponsors may be addressed to the National Registry of CPE Sponsors, 150 Fourth Avenue North, Suite 700, Nashville, TN, 37219-2417. Web site: www.nasba.org.

Drake Software has been approved by the California Tax Education Council to offer the 2004 Evaluation Guide, 3038-CE-0001, which provides 3 hours of federal credit and 0 hours of state credit towards the annual continuing education requirement imposed by the State of California. A listing of additional requirements to register as a tax preparer may be obtained by contacting CTEC at P.O. Box 2890, Sacramento, CA, 95812-2890, toll-free by phone at (877) 850-2832, or on the Internet at www.ctec.org.

Software Installation

Install the *2004 Drake Software Evaluation CD* using the instructions located on the back of the CD cover. Additional installation may be necessary. Please read the topics below for details.

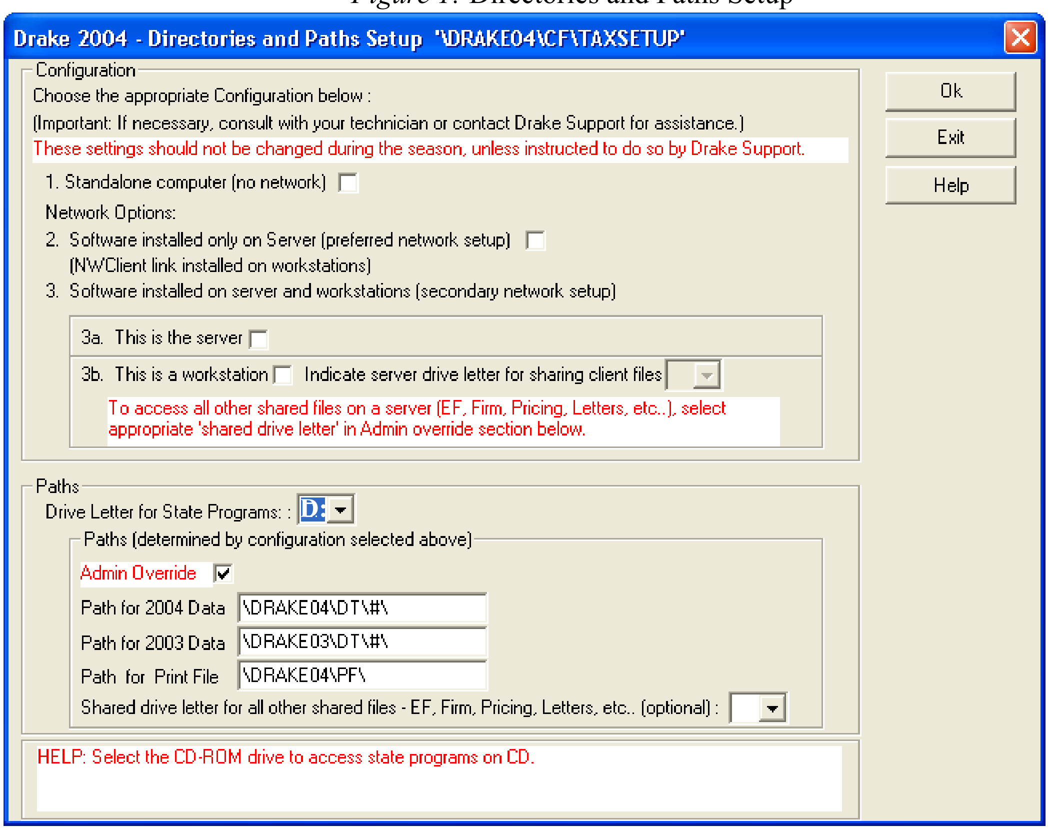
State and City Program Installation

Installing state and city programs is optional, as states and cities do not have to be installed on the hard drive in order to process and e-file state tax returns. State and city returns will calculate directly from the CD if it remains in the CD drive at the time of calculation.

Access State and City Programs directly from the CD

1. Insert the *2004 Drake CD* in the CD drive.
2. Open the *Drake* program. Go to **Setup > Directories/Paths** (see Figure 1 below)**.**
3. In the "Drive Letter for State Programs" field, select the CD drive letter from the drop-down menu. Click [OK].

Figure 1: Directories and Paths Setup

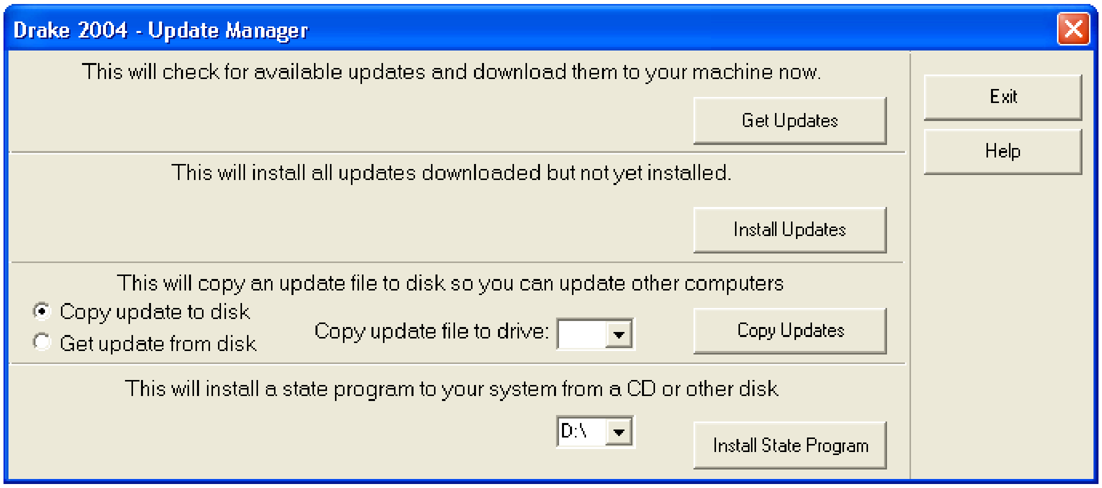


4. Open a return.
5. Complete the federal return screens.
6. Access the state screens by typing the two-digit state code in the selector field at the bottom of the "**Data Entry Selection Menu**" in data entry. Cities are found on the City tab within the appropriate state.

INSTALL STATE AND CITY PROGRAMS

1. Insert the *2004 Drake CD* into your CD drive.
2. Open the *Drake* Program. Go to **Tools > Install Updates.** The Update Manager opens (see Figure 2 below).
3. Select the CD drive letter from the drop-down menu at the bottom of the page. Click [Install State Program].

Figure 2: Update Manager.



4. A listing of all available state and city programs on the CD displays. Select the states to install in the left box with a mouse click, or click [SELECT ALL] to select all the states and cities.
5. Click [OK] to install states and cities.
6. Once the installation is complete, click [EXIT].

States and cities automatically calculate with the federal return if indicated on the federal data entry screens. For example, if you indicate that a W2 is for 'NY' in the "State" field, the New York return generates along with the federal.

OTHER DRAKE REFERENCE GUIDES

The following manuals are available in PDF format on this CD:

- **2004 Drake User's Manual -** A comprehensive resource for all your software questions.
- **2004 Drake Business Manual -** Walk step-by-step through the fields required to enter a business return in the software. Packages include 1120, 1120S, 1065, 990 and 706.

PDF format allows the manuals to be viewed and printed directly from the CD. Use the Adobe Acrobat Reader to read the PDF files, practice returns and IRS forms and publications.

ADOBE ACROBAT READER INSTALLATION

If Acrobat Reader is not installed, complete the following installation steps:

1. Insert the *2004 Drake Evaluation CD* into the CD drive.
2. Click **Start** > **Run**.
3. In the "Open" field, type D:\PDF\READER\AR500ENU.EXE (substitute correct CD drive letter if not 'D').

4. Click [OK] and follow the instructions. An icon is created on your desktop for the Acrobat Reader after installation is complete.

Open Documents in Adobe Acrobat Reader

Once the reader has been installed, PDF files can be opened from the CD.

1. Insert the *2004 Drake Evaluation CD* into the CD drive.
2. Go to **Start** > **Run.**
3. In the “Open” field, type: D:\PDF\MANUALS (substitute correct CD drive letter if not ‘D’).
4. Double-click a PDF to view the *Drake User’s Manual, Quick Start Manual* or the *Business Manual.*

Program Features:

The Drake User’s Manual pages are updated in PDF format throughout tax season, allowing you to easily print and replace outdated pages.

View Drake Tutorials

Drake Computer Based Tutorials (CBT) can be run directly from the Evaluation CD. They enable you to learn the basics of the software by viewing a short video. These tutorials play with sound if you have a sound card with speakers.

The following tutorials are included:

- **Printing Checks** – Set up, print and reprint checks.
- **Data Entry** – Navigate the software and prepare a basic 1040 return.
- **Electronic Filing** – Learn the basics of e-filing in *Drake*.
- **Email to Drake** –Receive broadcast emails, send an email, attach a client file.
- **Installing Updates** – Create an Update Profile, Download and Install Updates.
- **Letters** – Use the letter editor to edit a result letter.
- **Macros** – Create a customized short cut to speed data entry.
- **Online EF Database** – View your EF Database online in real-time.
- **Organizers and Proformas** – Customize and print Organizers and Proformas for one or multiple clients.
- **Preparer Web Sites** – Discover the simplicity of creating and maintaining a preparer web site.
- **Printing** – Set up printers and print sets. Review the various printing options in *Drake*.
- **Reports** – Run a standard report and create a custom report.
- **Appointment Scheduler** – Create preparer schedules, set up scheduler preferences, make appointments, run reports.
- **Search EF Database** – Search for the status of a return, use the reject code lookup, and other various features of this powerful tool.
- **State Database** – Navigate and review the features of this online database.
- **Check Printing En Espanol** – Aprenda Lo Basico De Archivar electronicamente en *Drake*.
- **Spanish Electronic En Espanol** – Tutorial de Impresion de cheques.

To access the tutorials from the CD, complete the steps below.

1. Insert the *2004 Drake Evaluation CD* into the CD drive.
2. Open the *Drake* program. Go to **Help > Tutorial.**
3. Select the drive letter of your CD drive from the drop-down box.
4. If prompted, click [RUN].
5. Click a CBT from the list to begin.
6. To exit the tutorial any time during the presentation, press [ESC].

Program Navigation

Learning to navigate the program *before* tax season saves time and frustration. Use this section to become acquainted with *Drake Software's* menu structure.

Drake for Windows

The navigation choices when using Windows include the mouse, toolbar and the computer keyboard.

Mouse

Left mouse button — Move the pointer over an item and click the left mouse button to select that item.

Right mouse button — During data entry, right-click the mouse outside of a field to display a menu of common program functions or right-click in a data entry field to cut, copy, paste or view help.

Toolbar

Speed Buttons are located under the menu bar on the toolbar. Speed Buttons are shortcuts to maneuver through the program quickly. Different areas of the program are associated with different Speed Buttons.

- **Open** — Open or create a new return.
- **Calculate** — Perform a batch calculation.
- **Print** — Print a return or returns from the return selector.
- **View** — View a return or returns from the return selector.
- **Internet** — Launch your internet browser to *support.drakesoftware.com*
- **Tax Help** — Launch CCH Master Tax Guide Plus.
- **Scheduler** — Open the Scheduler utility, which enables you to create preparer schedules, make appointments and run schedule reports.
- **Exit** — Exit the program.

ESC

Press [ESC] to exit a screen. Information on that screen is saved. To exit the screen without saving, press [SHIFT] + [ESC]. Press [ESC] on the "**Home**" screen to exit the *Drake* program.

Keyboard

The computer keyboard can be used to maneuver through the program. See "Overrides and Adjustments to Return Calculations" on page 101 of the Appendix for a list of shortcut keys used during data entry.

Press [ALT] to display the underlined shortcut key for each option on the menu bar. The underlined letter for each option is the shortcut key. Example: File; Press [ALT] + [F] to open the File Menu. After the menu is selected, the shortcut keys can be executed by pressing the shortcut key; [ALT] is not necessary.

> To open field-specific help during return data entry, put your cursor in the field and press [SHIFT] + [?]. To open on-screen help instructions, press [F1].

GENERAL FLOW OF COMMANDS

Instructions to reference parts of the program are as follows:

- **Menu Bar** — the list of menu options across the top of the window.
- **Drop-Down Menus** — the list of available actions shown when an option is selected from the menu bar.
- **Speed Buttons or Toolbar** — the toolbar directly under the menu bar in the Windows program only. Speed Buttons are used for quick access to commonly used program functions.
- **Data Entry Selection Menu** — the "home base" for return preparation. These screens display the data entry options.
- **Tabs** — the **"Data Entry Selection Menu"** displays tabs along the top of the screen. Select a tab to display an additional list of data entry screens.
- **Drop-Down Box** — some fields in Windows display a down-arrow next to the field. Click the arrow to open a drop-down list of available choices.
- **Buttons** — the Windows program offers additional buttons, which can be mouse-clicked to perform an action.
- **Selector Field** — In data entry, the entry field located in the bottom left corner of the screen. Type a corresponding screen code and press [ENTER] to access data entry screens.

When instructions are given to perform an action, the flow of commands is as follows:

1. Select the menu bar option to show the drop-down Menu (e.g., Tools).
2. Select the action from the drop-down Menu (e.g., File Maintenance).
3. If the action displays ▸ to the right, another list will open.
4. Select the action from that list (e.g., Backup).

To shorten the commands in the instructions, the flow of commands is given with arrows between each function: **Tools > File Maintenance > Backup.**

Use the keyboard or the mouse to select the menu options.

Refer to the following lists of Menu options.

FILE	EF	TOOLS
• Open Returns	• Select Returns for EF	• Install Updates
• Calculate	• Transmit/Receive	• Download Fonts
• Print	• Process Acks	• Blank Forms
• View	• Check Print	• Repair Index Files
• Pre-Prepared Entry]	• Check Setup	• File Maintenance]
• Quick Estimator	• Setup New	• Backup
• Exit	• Void Unused	• Restore
• Logout Preparer	• Check Register	• Change SSNs on File
	• Search EF Database	• Clear BBS Files
	• Copy EF Returns to Disk	• Export Client / EF Data
	• Copy EF Returns from Disk	• Password Protect Files
		• Unlock Client Files
		• Delete Print Files
		• Delete Client Files
		• Change File Type
		• Quick Books Import
		• Letters
		• Letters
		• Mailing Labels
		• Envelopes
		• Postcards
		• Amortization
		• Edit EIN Database
		• Stock Search
		• Scheduler

REPORTS	LAST YEAR DATA	SETUP	HELP

• Reports
  • Standard Reports
  • Custom Report Editor
  • Review Reports
• Depreciation List
• Fixed Asset Manager
• Filled in Screens
• Hash Totals
	• Organizers
	• Proformas
	• Update 2003 to 2004
	• Build EIN/Name from 2003
	• Update Config 2003 to 2004
		• Options
		• Firm(s)
		• ERO Setup
		• Preparer(s)
		• Pay Per Return
		• Directories/Paths
		• Pricing
		• Macros
		• Letters
		  • Letterhead
		  • Letters
		• Colors
		• Update Profile
		• Equipment
		  • Printer Setup
		  • Modem Setup
		  • PDF Printer
			• CCH Tax Research
			• Drake Software Help
			• E-Mail to Drake
			• Tutorial
			• Support Info
			• Check Installation
			• Copyright Notice
			• Show Setup <ADMIN>
			• Show Users
			• Setup Wizard <ADMIN>

FEATURES

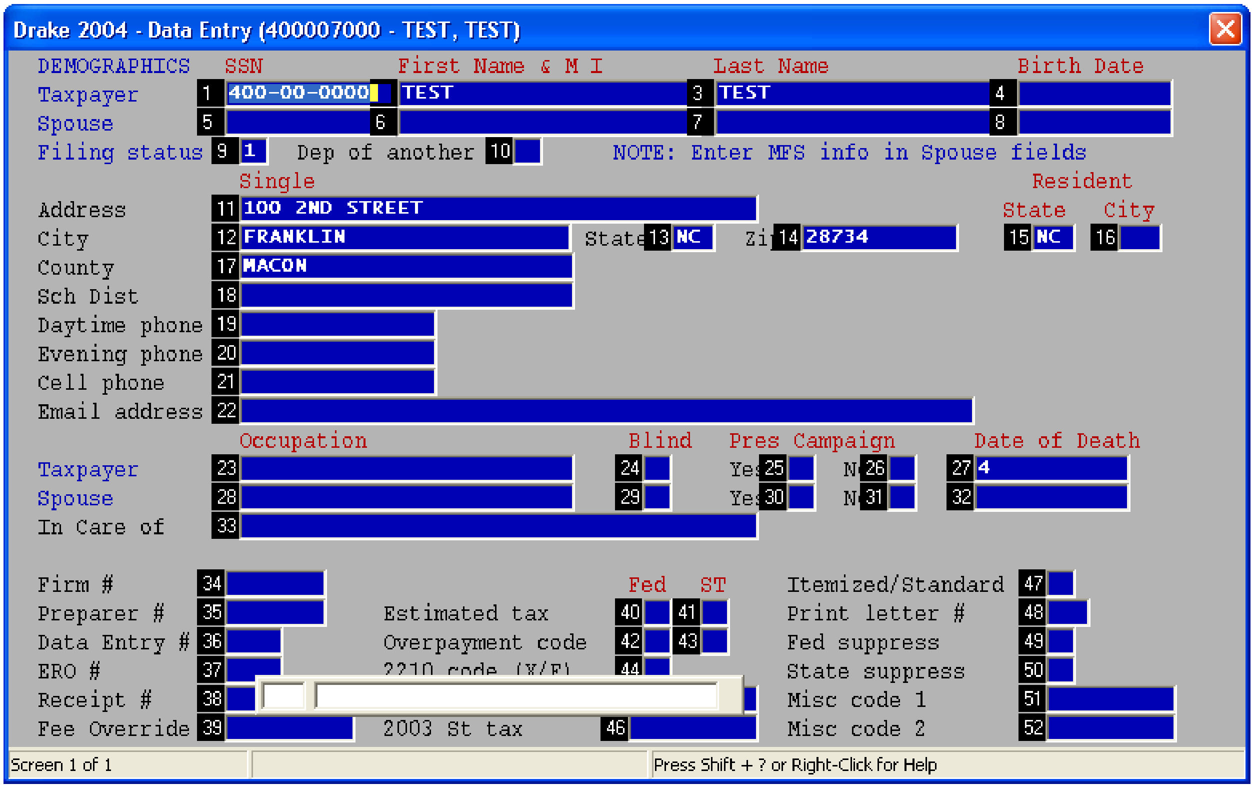
Drake Software offers numerous value-added features to enhance and simplify tax preparation. The software is designed to ease the return preparation process. In addition to the program resources highlighted below, the program boasts the following convenient features.

- Information flows to related forms automatically.
- Message pages display errors or alerts that will prevent successful e-filing and/or possible IRS rejection.
- Zip Code and Employer Identification Number databases speed data entry for several key forms.
- Built-in calculator is accessible in any data entry screen by pressing [F10].
- Blank forms are available to view or print.
- Unformatted worksheets are available by pressing [CTRL] + [W] in any numeric data entry field.
- Calculate amortization or search *Drake*'s stock index from within the Tools section of the menu bar.

HEADS DOWN DATA ENTRY

Drake Software enables users to enter data by keying it directly into screens or using the Heads Down Method. The Heads Down Method uses field codes that correspond with Proformas your clients can prepare during an interview (see Figure 3 on page 13). This option is a great time saver – as it allows data to be gathered by a tax professional and entered by a data entry operator. Toggle between data entry methods by pressing [CTRL] + [N].

Figure 3: Heads Down Data Entry



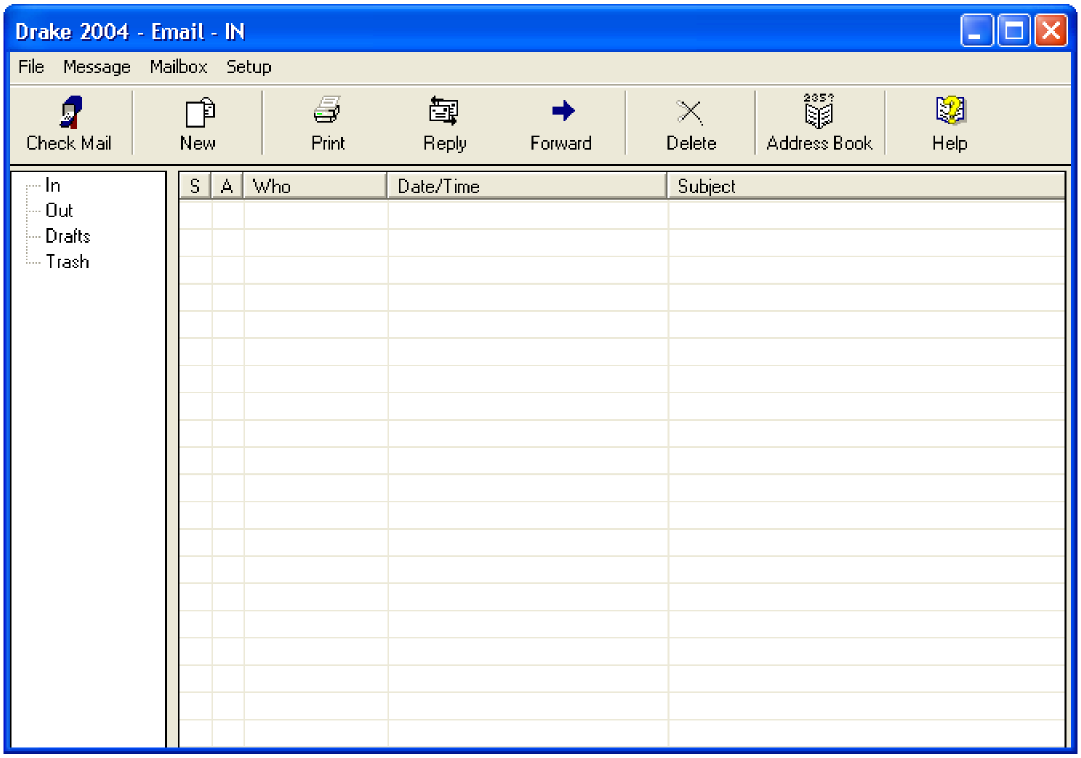
EMAILING

Use **Email to Drake** to send and receive emails from within the *Drake Software* program. Some of the benefits of using this utility include:

- Receive Broadcast emails from *Drake*. These emails provide information on important IRS & state updates and software changes.
- Easily attach client files to emails and send them to *Drake* Support.
- Use the built-in *Drake Address Book* to quickly and easily send support related emails to *Drake*.

To access the email function, go to the menu bar, select **Help > Email to Drake**. The email interface displays email messages and the available options (see Figure 4 on page 14). The **Check Mail** option retrieves waiting messages.

Figure 4: Email To Drake



> Your *Drake* email address is *YourEFIN*@1040.com. You must have your EFIN and password entered in **Setup > ERO Information** to use this utility.

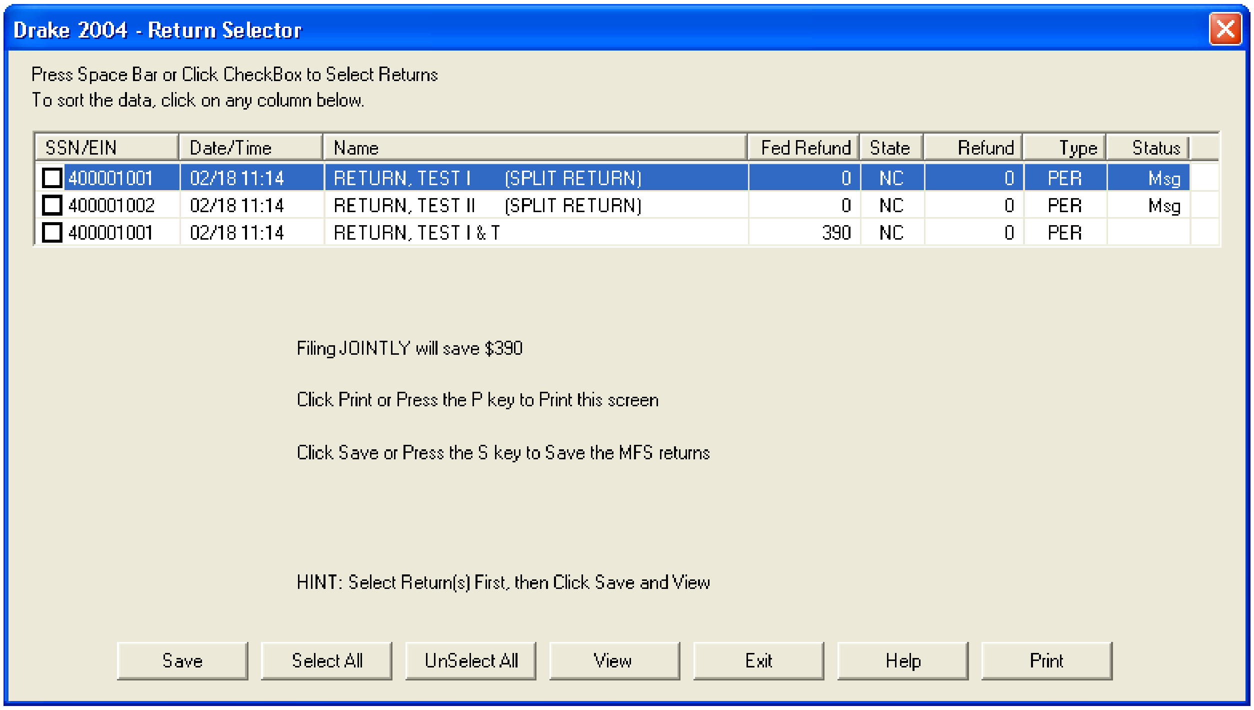
Split Returns

Drake Software allows you to easily compare Married Filing Joint (MFJ) and Married Filing Separate (MFS) returns. From the "**Data Entry Selection Menu**" screen on a joint return, split the return using [CTRL] + [S] or use the speed button labeled [Split].

The program splits the return. On the resulting "**Return Selector**" screen, the return displays in three ways: Married Filing Joint, Taxpayer separate and Spouse separate (see Figure 5 on page 15). Included on this screen are the following:

- Summaries of both federal and state refunds or amounts due.
- The resulting savings.
- The option to save any one or all three of the return formats.
- The ability to print this summary screen (press 'P').

Figure 5: Split Return Selector



If both returns are saved, each time you open the return you choose the MFJ or the MFS format. In this case, either return can have additional data entered.

Support Options

Support.drakesoftware.com

All *Drake* clients can take advantage of our online support site. Select the **Internet** Speed Button from the toolbar to log onto support.drakesoftware.com for access to 24-hour software information, including resource links for tax preparers, the Knowledge Base and “Your EF database” (see Figure 6 on page 16).

Figure 6: Drake Support

Online State support

The Online State page is available through support.drakesoftware.com enabling the search of state-specific questions including reject codes, exclusions, state instructions and e-filing explanations and instructions. Select **State Support > States Database** from the menu bar.

CCH

Go to **Tax Help** on the toolbar to access CCH. All *Drake* clients receive access to the online U.S. Master Tax Guide Plus from CCH Incorporated. This product features a comprehensive online tax information library which includes the following: U.S. Master Tax Guide, Internal Revenue Code, Revenue Rulings, IRS Publications, IRS Announcements, IRS Notices and U.S. Tax Cases.

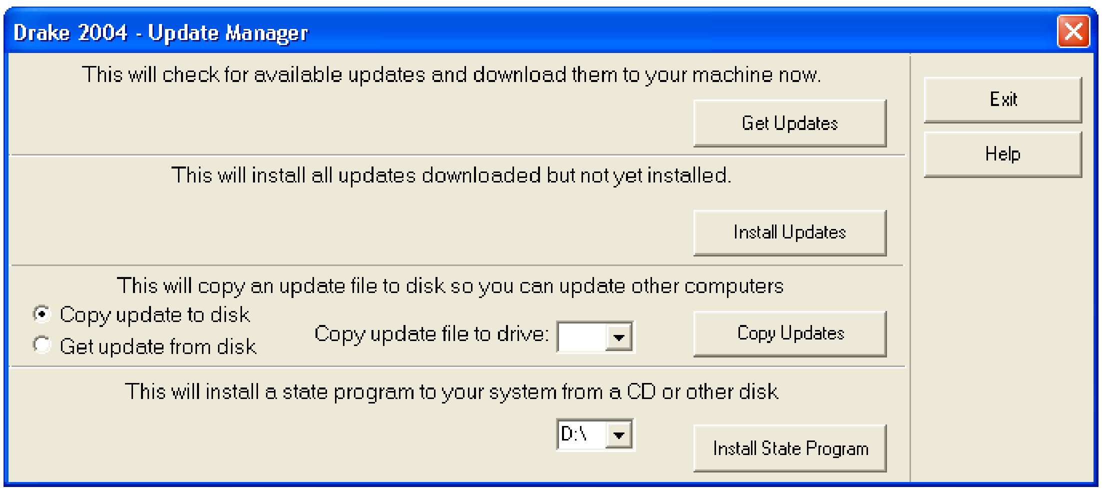
Software Updates

Before downloading updates, go to **Setup > Update Profile**. Program and 1040 package updates always download, but you must select the desired business packages to download and update. Also, a list of states installed appear in the left hand column of the screen. Highlight to select the states you wish to install updates for, or click [SELECT ALL]. The states move to the right hand column of the screen, and those states will be updated along with your federal selections. You may also make selections to automate the update installation process in your Update Profile.

Install software updates from within the program through your internet connection. From the menu bar, go to **Tools > Install Updates** and from the Update Manager (see Figure 7 below), choose from the following options:

- **Get Updates—**Downloads the latest federal software updates.
- **Install Updates—** Installs the updates.
- **Install State Program**—Installs state programs from the *Drake* CD.

Figure 7: Update Manager



Program Setup

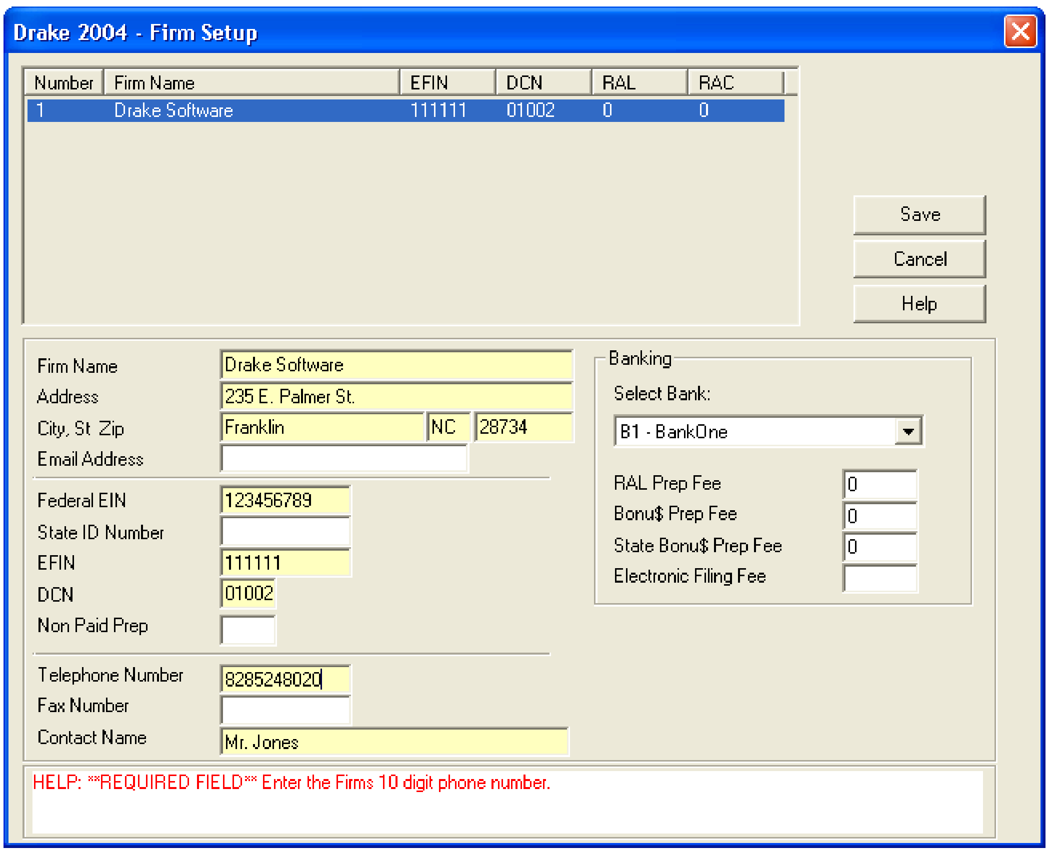
Drake Software Setup enables you to customize the software to your office requirements.The following screens must be completed before beginning tax preparation and electronic filing.

FIRM SETUP

Enter and edit information for a specific firm on the "**Firm**" screen (see Figure 8 below). There is no default firm information in the program. This information must be created individually for each firm.

1. From the menu bar, go to **Setup** > **Firm(s)**.
2. Enter the firm information. A yellow field indicates required information.
3. Click [SAVE] to save the information. Click [CANCEL] to exit without saving changes.

Figure 8: Firm Setup



> If offering bank products, indicate which bank you are using and set preparer and Electronic Filing fees on the "Firm" screen.

ERO

Electronic Return Originator (ERO) Setup is required only if you plan to do one or all of the following in the software:

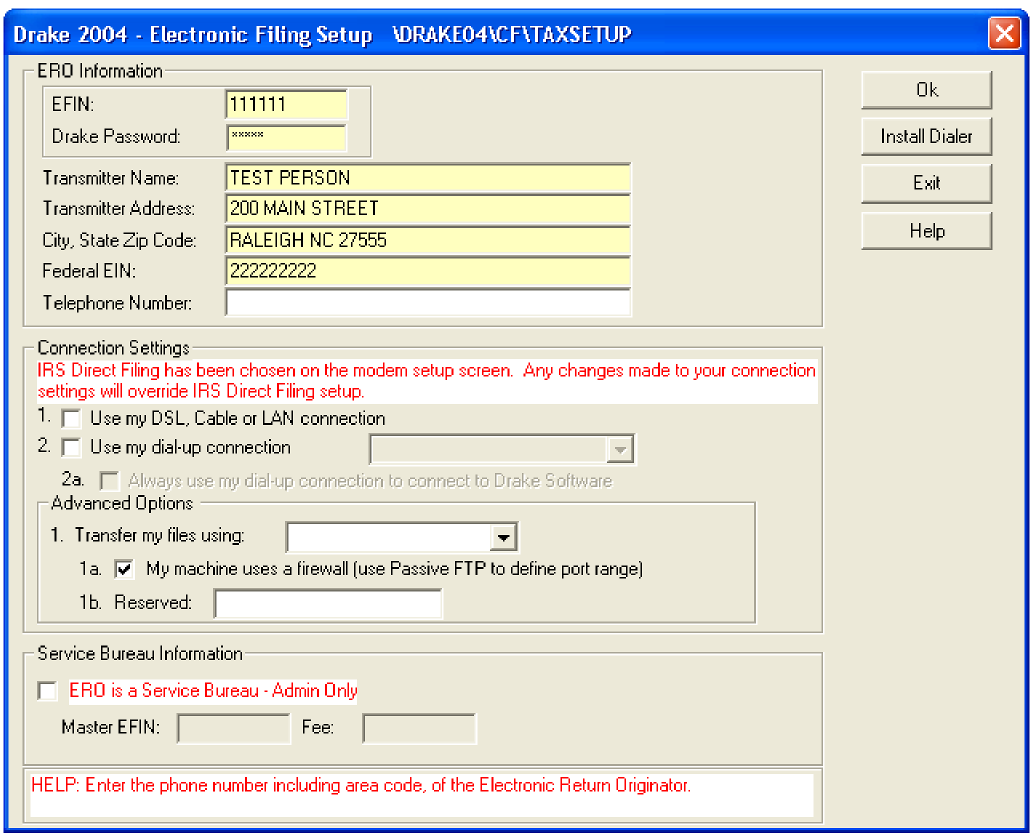
- E-file a return
- Access "Your EF Database" from **EF > Search EF Database > F10.**
- Use the 'E-mail to *Drake*' function **Help > Email to Drake.**
- Download service packs using **Tools > Install Updates.**

The temporary EFIN (Electronic Filing Identification Number) assigned by *Drake* does not enable electronic filing, but allows system testing and access to *Drake* Internet utilities. Preparers who are new to e-filing must apply to the IRS for an EFIN using Form 8633. The 8633, along with many other forms, can be printed in *Drake*. Go to **Tools > Blank Forms**, single-click "8633" and click [PRINT].

To enter ERO information in the software, complete the following steps.

1. From the menu bar, go to **Setup > ERO.** The "**Electronic Filing Setup**" screen opens (see Figure 9 below).
2. Enter ERO information. A yellow field indicates required information.
3. Select the connection settings for the computer.
4. Click [OK] to save and exit.

Figure 9: Electronic Filing Setup



Preparer Setup

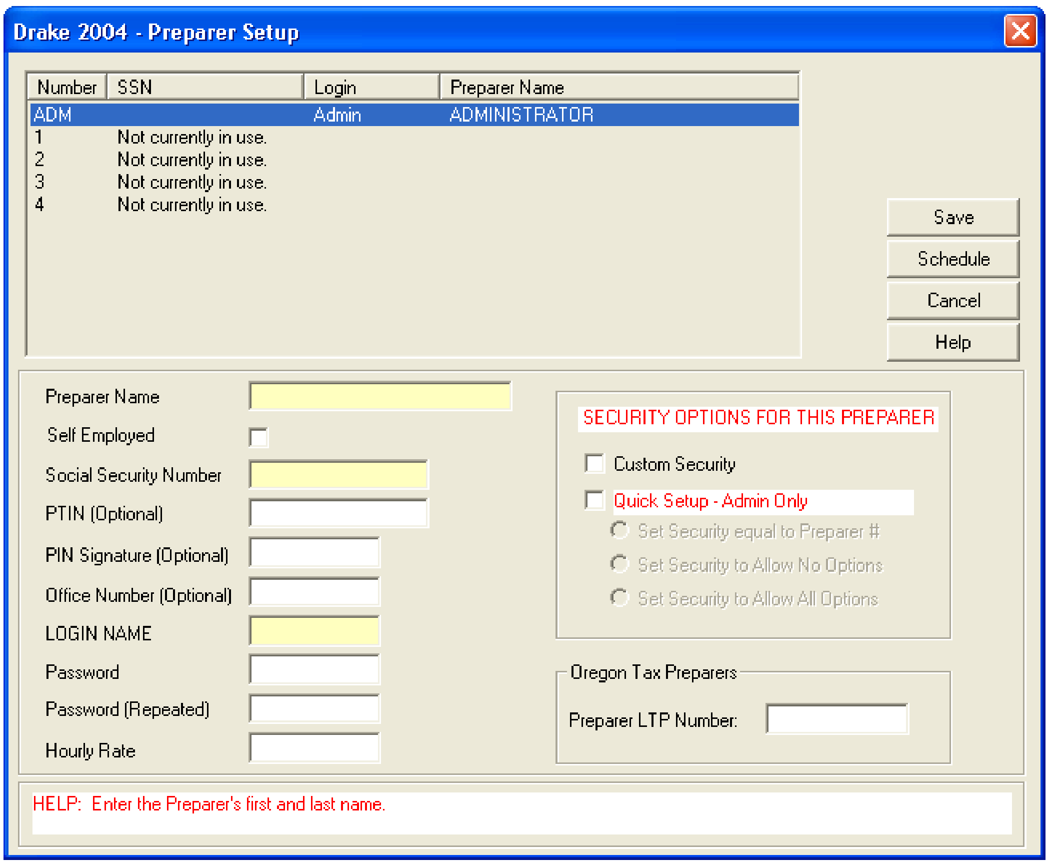
Each preparer must be entered on the "**Preparer Setup**" screen (see Figure 10 below). Entering preparers in the program assigns them a preparer number. The preparer number is then used to display unique preparer information on letters, returns and reports.

Data entry (DE) operators may be entered along with paid preparers in "**Preparer Setup**." Entering the DE number on returns is used primarily for tracking purposes.

To enter a new preparer in the software, complete the following steps:

1. From the menu bar, go to **Setup > Preparer(s).**

Figure 10: Preparer Setup



2. Enter preparer information. A yellow field indicates required information.
3. Create security rights (see next section, "Preparer Security Settings").
4. Click [SAVE] to save changes. Notice that the preparer is now saved with a preparer number.
5. Click [EXIT].

Preparer Security Settings

The Security Setup information defines what functions the preparer can access in the program. When the program opens, the preparer is prompted to enter his/her login name and password. Menu options *not* accessible to the preparer are greyed out.

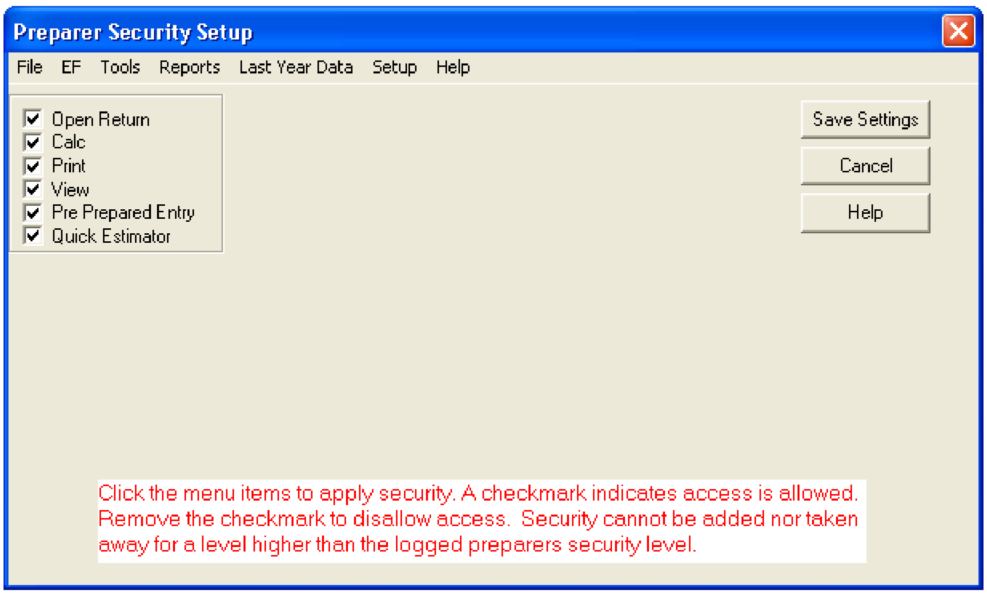
Choose from two types of security options:

Customize Security Setup

Determine what areas of the program a preparer can access.

1. With the preparer selected and in edit mode, click to select the "Customize Security" box and click [CUSTOMIZE].The "**Preparer Security Setup**" screen opens (see Figure 11 below).

Figure 11: Preparer Security Setup



2. Click the menu items to display the drop-down menus. Click to select or deselect menu items for accessibility. Checked boxes indicate access is permitted.
3. Click [SAVE SETTINGS]. When prompted, click [OK].
4. Click [SAVE] to save the preparer settings. Click [EXIT].

Other Security Options

With a preparer selected and in edit mode, click the radio button to select one of the following options:

- Set Security to equal Preparer # — Select this option and enter a preparer number in the box. This sets the current preparer's security rights to match the preparer entered.
- Set Security to Allow No Options — The preparer cannot access any items in the program.
- Set Security to Allow All Options — The preparer has rights to access all areas of the program.

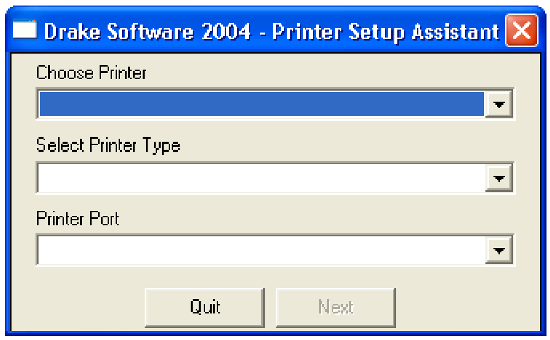
Printer Setup

Run the Printer Setup Assistant to set up printers quickly and easily. The **"Printer Setup"** allows more than one printer to be accessed in the program.

Printer Setup Assistant

1. On the menu bar, go to **Setup** > **Equipment** > **Printer Setup**.
2. Initially, the Printer Setup Assistant opens (see Figure 12 below). Select the printer from the drop-down list in the window that appears. (*Note:* Once a printer is set up in Drake, the "**Printer Setup**" screen opens instead of the Printer Setup Assistant. To launch the Printer Setup Assistant, click [ADD PRINTER] from the "**Printer Setup**" screen.)

Figure 12: .Printer Setup Assistant



3. Select the type of printer from the drop-down list. (This field may be auto filled. If so, do not change the setting).
4. Click [NEXT] to continue. The first page of the 1040 is sent as a test page to the printer.
5. Check the printer for the test page.
6. Answer the questions that follow by clicking the appropriate [YES] or [NO] button.
7. The next window prompts "Apply this printer to the following sections". Click the check-boxes to select.
8. Click [FINISH] to complete the wizard.

Different printers can be selected to print reports, letters, forms, checks, etc.

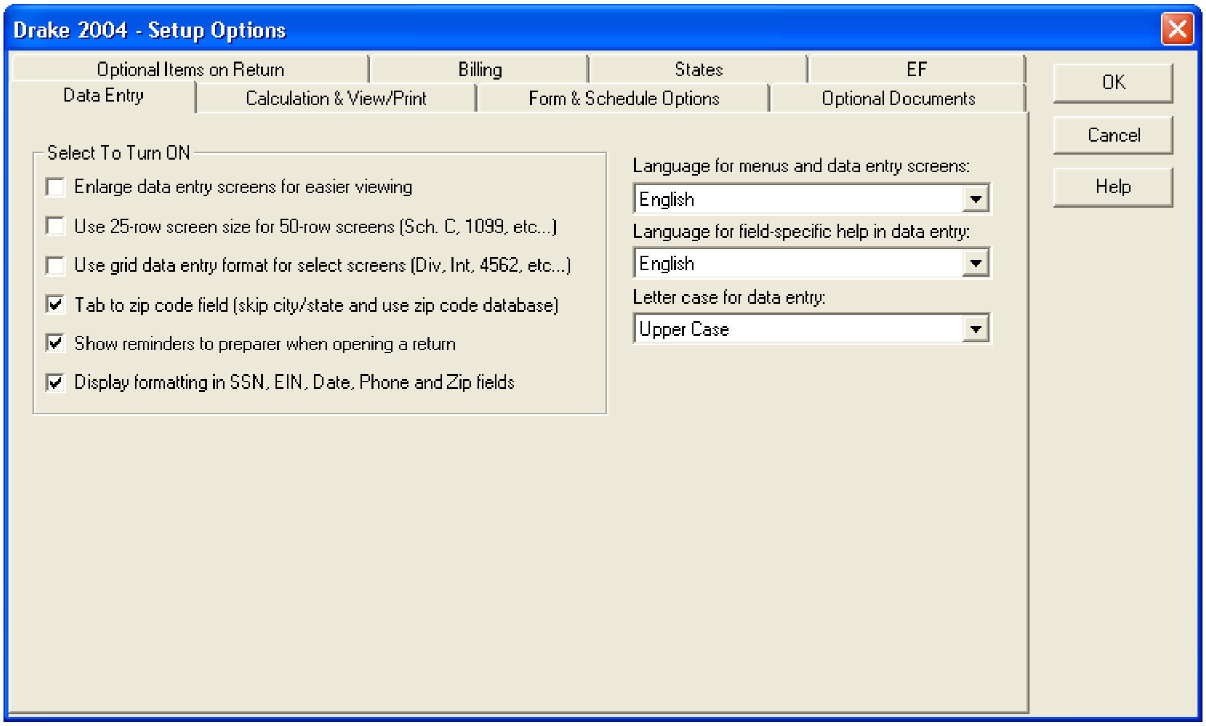
Optional Program Setup

Options

Select program preferences from the "**Options**" screen (see Figure 13 on page 24). The software defaults to the most common preferences. To change or view the defaults, follow the steps below.

1. From the menu bar, go to **Setup** > **Options**.
2. Click the tabs to change the options screen that displays. After selecting an option, press [OK] to save.

Figure 13: Setup Options.



The following options are available:

Data Entry Tab

- Enlarge data entry screens for easier viewing.
- Use 25-row screen size for 50-row screens (Sch. C, 1099, etc.).
- Use grid data entry format for select screens (DIV, INT, 4562, etc.).
- Tab to zip code field (skip city/state and use zip code database).
- Show reminders to preparer when opening a return.
- Display formatting in SSN, EIN, Date, Phone, and Zip fields.
- Language for menus and data entry screens– Select English or Spanish.
- Language for field-specific help in data entry– Select English or Spanish.
- Letter case for data entry- Select Upper Case or Mixed Case.

Calculation and View/Print Tab

- Auto-calculate tax return when exiting data entry.
- Display client fee on calculation screen.
- Print only one overflow statement per page.
- Go directly to form when accessing View or Data Entry Mode.
- Audible notification of calculation error messages.
- Layout for depreciation schedule – Select “Portrait” or “Landscape” from the drop-down menu.
- Pause option for calculation – "Always after calculation" pauses when the calculation is complete (**File > Calculate**). "After View or Print Only" will pause only after a Ctrl-View or Ctrl-Print are used to calculate. "Only when using File > Calculate" will pause only when calculating from the main menu. “Never use pause option”.
- Display forms in view mode – Forms display the same as printed forms or in text mode. Text Mode is a computer generated mode with larger text.
- Number of days to store print files – If the return is needed after the software removes the print file, recalculating the return will recreate the print file.

Form and Schedule Options Tab

- Print Schedule A only when required.
- Print Schedule B only when required.
- Print Form 1116 for Alt-Min tax worksheet.
- Print 4562 only when required.
- Print 6251 only when required.
- Form 8867 - Preparer’s EIC checklist – Form 8867 is the IRS form for EIC verification. The VER_EIC is a form designed in-house that preparers prefer. Use this option to indicate your choice.
- 1040A/EZ Suppress.
- Form 1045 page 2 (NOL) - Select to prepare as needed, or only when indicated in data entry.
- Form 2210- Select to prepare as needed, or only when indicated in data entry.

Optional Documents Tab

Check the appropriate boxes to print the following with each return:

- Folder coversheet
- Next year depreciation schedule
- Generates notes page when applicable
- Prior year comparison form
- Privacy letter
- Return summary
- Optional worksheets
- W2/1099 Forms
- Carryover Worksheet
- W2 list if greater than - Select the number of W2s.
- 1099 list if greater than - Select the number of 1099s.
- Dividend list if greater than - Select the number of Dividends
- K1 list (bus. returns only) if greater than - Select the number of K1s.
- Referral Coupons (3 per sheet) – Customize the text of these coupons in **Setup > Letters > Coupon.** Enter the number of sheets to print with each return and the amount of the coupon.
- Envelope Sheet — taxpayer address - Select none, small, large or extra large.
- Envelope Sheet—IRS service center address
- Result Letter – Select from letters 1 - 12. Customize letters in **Setup > Letters**.

Optional Items on Return

Click the corresponding check box to print an item on the returns:

- Gross social security only when required.
- Date on return – This date pulls from the date on the computer. To change this date, enter the required date on the **"MISC"** screen.
- Taxpayer phone number – Pulls from "**Screen 1**".
- Third Party Designee – Prints on the main form for the tax return. Choose from specific preparers, the return preparer in ERO setup.
- Rounding Amounts – Select dollar or penny rounding. Dollar rounding is required for electronic filing. Penny rounding prints penny amounts on all forms.

Billing Tab

Click the corresponding check box to turn a feature on:

- Print taxpayer's SSN on bill.
- Show RAL preparer fees as withheld on bill.
- Show bank fees on bill.
- Sales Tax – Sales tax percent to add to client statement. Enter a number greater than 1. For example, 4.5 would represent a sales tax rate of 4.5%.
- Billing statement format – Select a statement option: "Show forms, form prices and total", "Show form list and total", "Bill by time" or "Do not prepare bill".
- Header on Bill - "Show preparer's name", "Only show tax year", "Professional services statement" or "None".

States Tab

There are specific options available for some states. Select the state from the drop down list and select the options that apply. Set up each desired state separately.

EF Tab

Click the corresponding check box to turn a feature on:

- Print 8453 (or 8879 if using PIN) when eligible for EF.
- Require PIN screen (8879) on all EF returns.
- Require 'Ready for EF' indicator on "**EF**" screen.
- Lock client data file after EF acceptance – Log in as "ADMIN" to edit /unlock a file that has been transmitted and accepted. Allow preparers the same ability by giving them access to **Tools > File Maintenance > Unlock Client Files** in their security settings.
- Print bank application when keyed on return.
- Print 9325 when eligible for EF.
- Suppress federal EF.
- Print EF status page.
- State EF – Suppress. If the box is checked, you can list states, or suppress all states.
- ERO SSN Indicator – Choose from preparer #1 - #9, paid preparer or none. This field selects the ERO for the return. The default can be overridden in Data Entry.
- Check for email during EF transmit/receive.
- Combine EF steps (Select, Transmit, Post Acks). If this option is selected, the only screen that needs to be opened on the EF menu is "**Select Returns for EF**". After the returns are selected, click [OK] to start the remainder of the EF routine. No further steps are necessary.

Review Questions Part 1

Answer the questions below. See "Answers Part 1" on page 30 for explanations of answers.

1. In *Drake* Software **Setup > Options**, what tab would you choose to select a third party designee for all your returns?

   a) Optional Items on Return

   b) States

   c) EF

   d) Billing

2. In *Drake* Software, which option on the Setup Menu would you use to indicate a bank for Bank Products?

   a) ERO

   b) Pricing

   c) Firm

   d) Macros

3. In *Drake* Software **Setup > Options,** which tab would you select to bill by time?

   a) Optional Documents

   b) States

   c) EF

   d) Billing

4. In *Drake* Software **Setup > Options** which tab would you select to adjust the sales tax on your bill?

   a) Optional Documents

   b) States

   c) EF

   d) Billing

5. In *Drake* Software **Setup > Options,** which tab would you select to print the taxpayer's phone number and/or the current date on tax return?

   a) Optional Items on Return

   b) States

   c) EF

   d) Billing

ANSWERS PART 1

1. The correct answer is **A, Optional Items on Return.** Use the Third Party Designee drop-down box to select which preparer will be the third party designee for all returns. An override is available on screen 5.

   B is incorrect. The States Tab contains customization options for each state.

   C is incorrect. The EF Tab contains options available for electronic filing. You can select to suppress individual states, combine the EF steps and several other EF related options.

   D is incorrect. Enter sales tax amount, choose a billing format, select to show bank fees on bill and other billing related options on the Billing Tab.

2. The correct answer is **C, Firm.** Go to **Setup > Firm** and select your firm. Click [EDIT FIRM]. On the right side of the screen, select the bank used for bank products from the drop-down box.

   A is incorrect. **Setup > ERO** is used to enter information about the ERO and to indicate the connection settings used during the electronic filing process.

   B is incorrect. Set pricing for forms and schedules in **Setup > Pricing**. The amounts entered here are used to populate the client bill.

   D is incorrect. Macros are short cuts used to speed up data entry. Go to the **Setup > Macros** to create customized macros.

3. The correct answer is **D, Billing.** Use the Billing Statement Format drop-down box to select "Bill by Time" from the list of billing options.

   A is incorrect. Use the Optional Documents Tab to setup the referral coupon dollar amounts and the quantity to print per return.

   B is incorrect. The States Tab contains customization options for each state.

   C is incorrect. Select to turn on various EF features on the EF Tab, including "Require 'Ready for EF Indicator' on EF screen" and "Lock Client Data File after EF Acceptance".

4. The correct answer is D, **Billing**. Enter the amount of tax to charge in the "Sales Tax" field.

   A is incorrect. The Optional Documents Tab is used to select specific items to print with returns or select the result letter to print.

   B is incorrect. The States Tab contains customization options for each state.

   C is incorrect. Select the EF Tab to receive Service Packs during the EF transmission. You can also select to download email when you e-file on the EF Tab.

5. The correct answer is **A, Optional Items on Return.** Check the corresponding box to turn this feature ON.

   B is incorrect. The States Tab contains customization options for each state.

   C is incorrect. Go here and select to receive Service Packs during the EF transmission. You can also select to download email when you e-file on the EF Tab.

   D is incorrect. Options associated with the client's bill are found on the Billing Tab.

Drake 2004 Hot Keys

Hot Keys enable you to perform specific actions quickly and easily. Knowing when and where to use these keys can save you valuable time during tax season.

Data Entry

Produce field-specific help information in data entry or to verify a valid Social Security Number.	[SHIFT] + [?} or [ALT] + [?]
Insert the current date into any field.	[ALT] + [D]
Delete a screen	[CTRL] + [D]
Reset a screen	[CTRL] + [U]
Exit and save a screen	[ESC]
Exit without saving	[SHIFT] + [ESC]
Force an entry	[CTRL] + [F]
Open an unformatted schedule	[CTRL] + [W]
Toggle between heads-down and standard data entry.	[CTRL] + [N]
Open the Online Help screen	[F1]
View the Pop-Up Calculator	[F10]
Carry data to an amended return	[CTRL] + [X]

Calculate, View and Print

Calculate a return	[CTRL] + [C]
View a return	[CTRL] + [V]
Print a return	[CTRL] + [P]
Split MFJ return to MFS return	[CTRL] + [S]
Return to data entry	[CTRL] + [E]

Electronic Filing

Look up reject codes in **EF > Search EF Database**	[F4]
Return to data entry from **EF > Search EF Database**	[F5]
Return to EF Database from data entry	[F9]
Check your online EF database from **EF > Search EF Database**	[F10]

Review Questions Part 2

Answer the questions below. See “Answers Part 2” on page 34 for the correct answers.

1. How do I delete a screen in *Drake*?

   a) [CTRL] + [F]

   b) [CTRL] + [D]

   c) [CTRL] + [S]

   d) [CTRL] + [N]

2. Can I split a joint return into two married filing separate returns? How?

   a) No

   b) Yes, [CTRL] + [F]

   c) Yes, [CTRL] + [W]

   d) Yes, [CTRL] + [S]

3. How can I create a detailed worksheet for a particular line item on a return.

   a) With your cursor in the data entry field on a *Drake* Screen press [CTRL] + [F].

   b) You cannot.

   c) With your cursor in the data entry field on a *Drake* Screen press [CTRL] + [W].

   d) With your cursor in the data entry field on a *Drake* Screen press [ESC].

4. How do I save screen information in a return?

   a) [CTRL] + [W]

   b) [CTRL] + [S]

   c) [ESC]

   d) [ALT] + [?]

5. Is it possible to insert the current date into a data entry field? How?

   a) Yes, press [Insert] + [D]

   b) Yes, press [CTRL] + [D]

   c) No

   d) Yes, press [ALT] + [D]

ANSWERS PART 2

1. The correct answer is **B, [CTRL] + [D].** This Hot Key deletes the current screen.

   A is incorrect. [CTRL] + [F] is used to force an entry in a field in data entry.

   C is incorrect. [CTRL] + [S] is used to split a MFJ return into two MFS returns, allowing you to compare the differences.

   D is incorrect. [CTRL] + [N] enables the Heads Down Method. The Heads Down Method uses field codes that correspond with Proformas you can prepare during an interview.

2. The correct answer is **D, Yes [CTRL] + [S].** Use this Hot Key to split a MFJ return into two MFS returns, allowing you to compare the differences.

   A is incorrect. With *Drake Software* [CTRL] + [S] enables you to split the MFJ return.

   B is incorrect. [CTRL] + [F] is used to force an entry in a field in data entry.

   C is incorrect. Use [CTRL] + [W] in any numeric field to access an unformatted schedule.

3. The correct answer is **C, With your cursor in the data entry field on a *Drake* Screen, press [CTRL] + [W].** Key this shortcut in any numeric field to access an unformatted schedule.

   A is incorrect. [CTRL] + [F] is used to force an entry in a field in data entry.

   B is incorrect. With *Drake Software* you can use [CTRL] + [W] in any numeric field to access an unformatted schedule.

   D is incorrect. [ESC] is used to save and exit to the Data Entry Selection Menu.

4. The correct answer is **C, [ESC]**. This Hot Key is used to save a data entry screen and return to the Data Entry Selection Menu.

   A is incorrect. Use [CTRL] + [W] in any numeric field to access an unformatted schedule.

   B is incorrect. Use [CTRL] + [S] to split a MFJ return into two MFS returns, allowing you to compare the differences.

   D is incorrect. Use [ALT] + [?] in any data entry field to view field-specific information. [SHIFT] + [?] functions the same way.

5. The correct answer is **D, Yes, press [ALT] + [D]**. This enters the current date in any "**Date**" field.

   A is incorrect. [Insert] + [D] is not a Hot Key in *Drake*.

   B is incorrect. [CTRL] + [D] deletes a screen in data entry.

   C is incorrect. You can enter the current date using [ALT] + [D].

Return Preparation

While there are many ways *Drake Software* simplifies tax preparation, the software cannot replace a fundamental understanding of tax laws. Your data will be calculated as entered on each screen. The screens, in almost every instance, reflect the corresponding tax form.

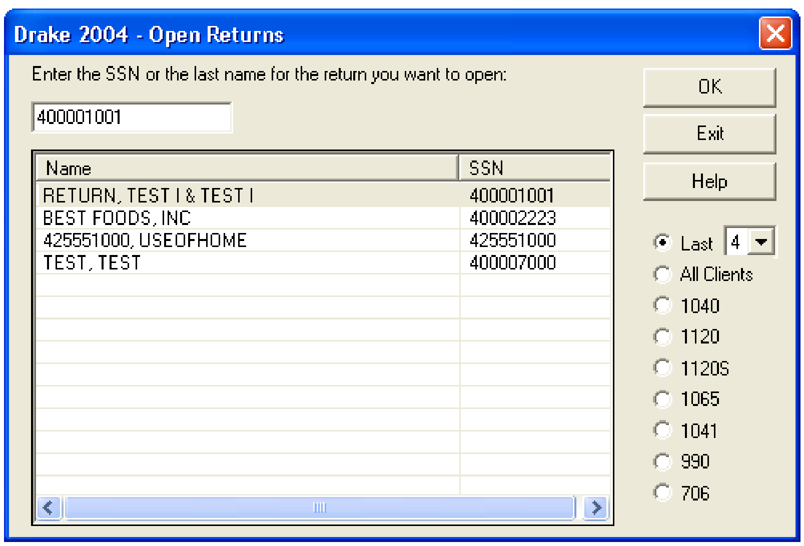
In this section, we will review the following:

- Opening Returns
- Navigating Fields and Forms
- Preparing a Return

Open a Return

On the menu bar, go to **File > Open Returns**, or click [OPEN] from the toolbar. The "Open Returns" window appears (see Figure 14 below). Here you can create a new return or open an existing one.

Figure 14: Open Returns



> Returns are identified by either a Social Security Number (SSN) or an Employer Identification Number (EIN), in the case of business returns.

To create a new return:

- Type the SSN or EIN in the top box with no dashes, spaces or other characters. Click [OK] or press [ENTER].
- If the new SSN or EIN is not in the database, you are prompted to create a new file. Click [YES].
- Select the type of return to create. Click [OK].

To open an existing return:

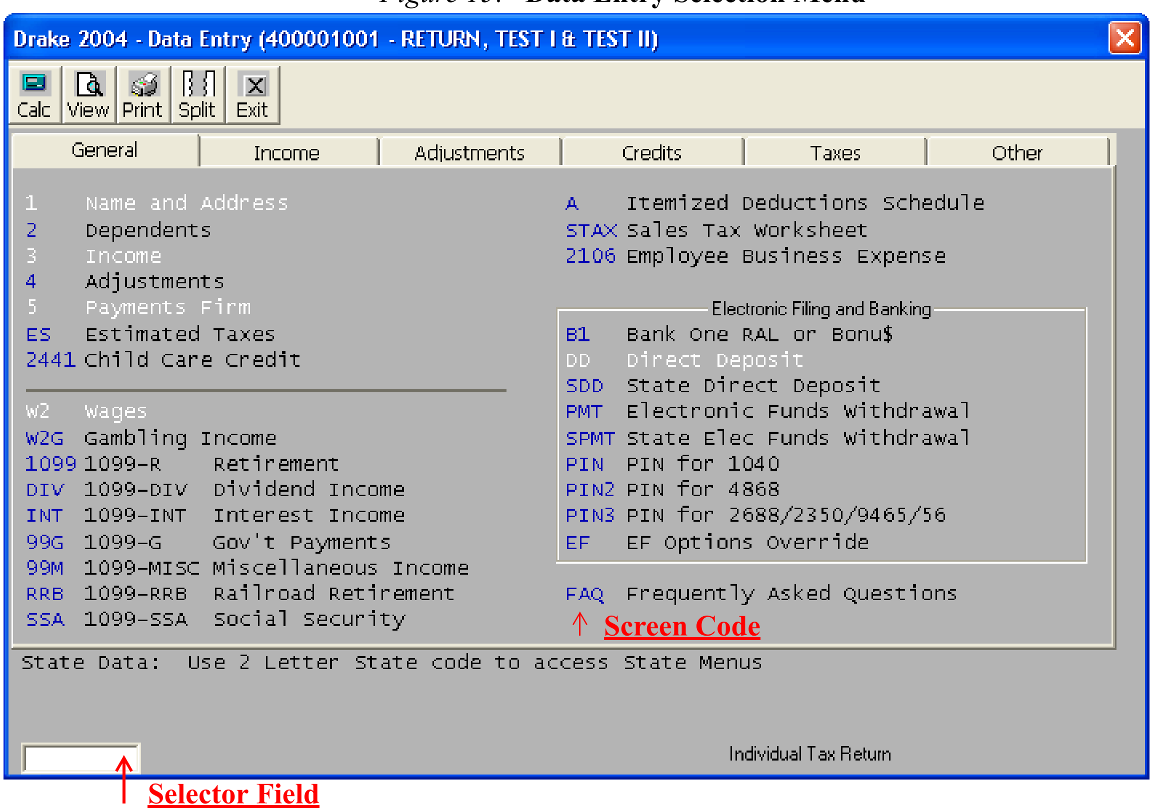
- Type the SSN or EIN in the top box with no dashes, spaces or other characters. Click [OK] or press [ENTER].
- Select the desired return from those returns displayed in the lower box. Use the return selector buttons to the right to narrow your search.
- Empty the top field and press [ENTER]. Scroll through the resulting list to select a return.
- Type a last name or company name in the entry field and press [ENTER].

For a sample return, type the following SSN into the top field (without dashes): 400-00-6665. This is a completed version of our practice return. You will see that the "**Data Entry Selection Menu**" is organized into six different pages marked by Tabs: General, Income, Adjustments, Credits, Taxes and Other. You can navigate to each page by either clicking on the actual tab or using the arrow keys.

ENTERING DATA

To access a form for data entry, double-click the form description or type the screen code into the selector field in the bottom left corner of the "**Data Entry Selection Menu**" (see Figure 15 below). To access installed state screens, type the state's two letter abbreviation into the selector field**.**

Figure 15: "**Data Entry Selection Menu**"



Navigation and Data Entry

Move through the data entry fields on any form:

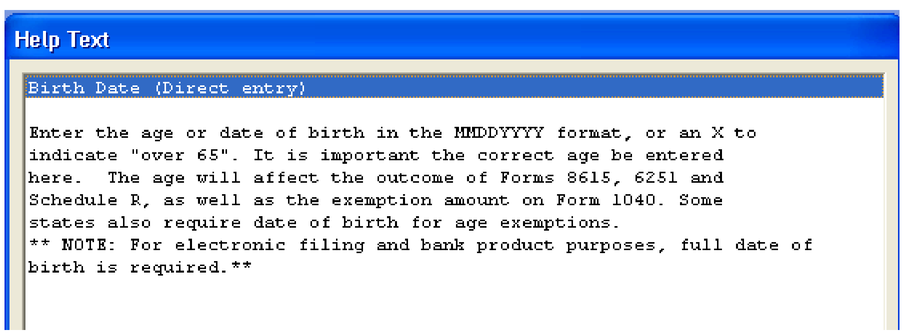
- Press [TAB], [ENTER] or the Down arrow key to advance the cursor to the next field.
- Press [SHIFT] + [TAB] or the Up arrow key to move the cursor back one field.
- Use the Left/Right arrow keys to move the cursor within a data entry field.
- Press [ESC] to save and close the data entry screen and return to the "**Data Entry Selection Menu**".

> *Program Feature:*
> In any data entry field, press [Shift] + [?] or right-click and select View Help to view field-specific information. This help is available in any field and often contains selectable options for that field (see Figure 16 below).

On each of the forms screens, you will notice several symbols:

- If the field is marked "Override" (indicated by an '=' symbol), an entry in the field overrides any calculations or data normally associated with that item.
- If the field is marked "Adjust" (indicated by a '+' symbol), any data entered in that field will be added to the calculated amount normally associated with that field. To reduce an amount in an adjust field, enter a negative figure.
- All other entries are direct, no entry made means nothing appears on the form.

Figure 16: Field-Specific Help Text

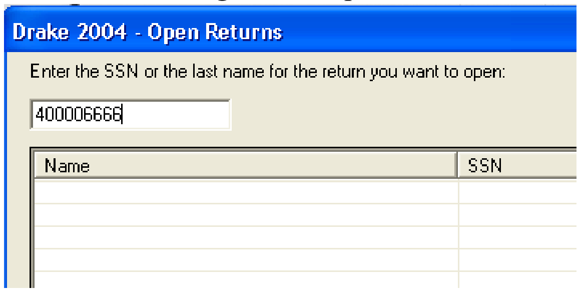


Preparing the 1040 Evaluation Return

In this section, we will enter a practice return and work through various data entry screens to become comfortable with *Drake Software.* The following sections provide step-by-step instructions for calculating, viewing, printing and electronic filing a return.

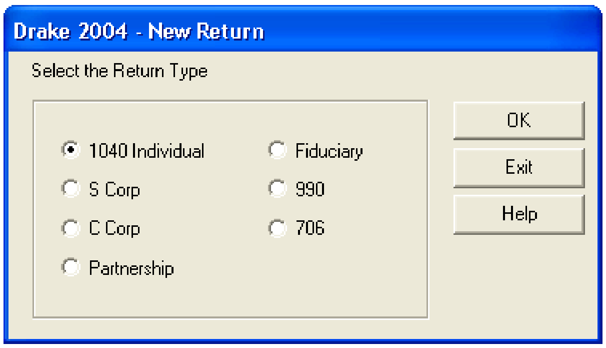
1. On the menu bar, select **File > Open Returns**.
2. In the "Open Returns" window (see Figure 17 on page 38), type the following SSN (without dashes) in the blank field: 400-00-6666. Click [OK].

Figure 17: Open Returns



3. A message box prompts you to create a new return. Click [YES].
4. Next, select the type of return to create (see Figure 18 below). Our sample is an Individual return. Since this is the default, press [ENTER] or click [OK].

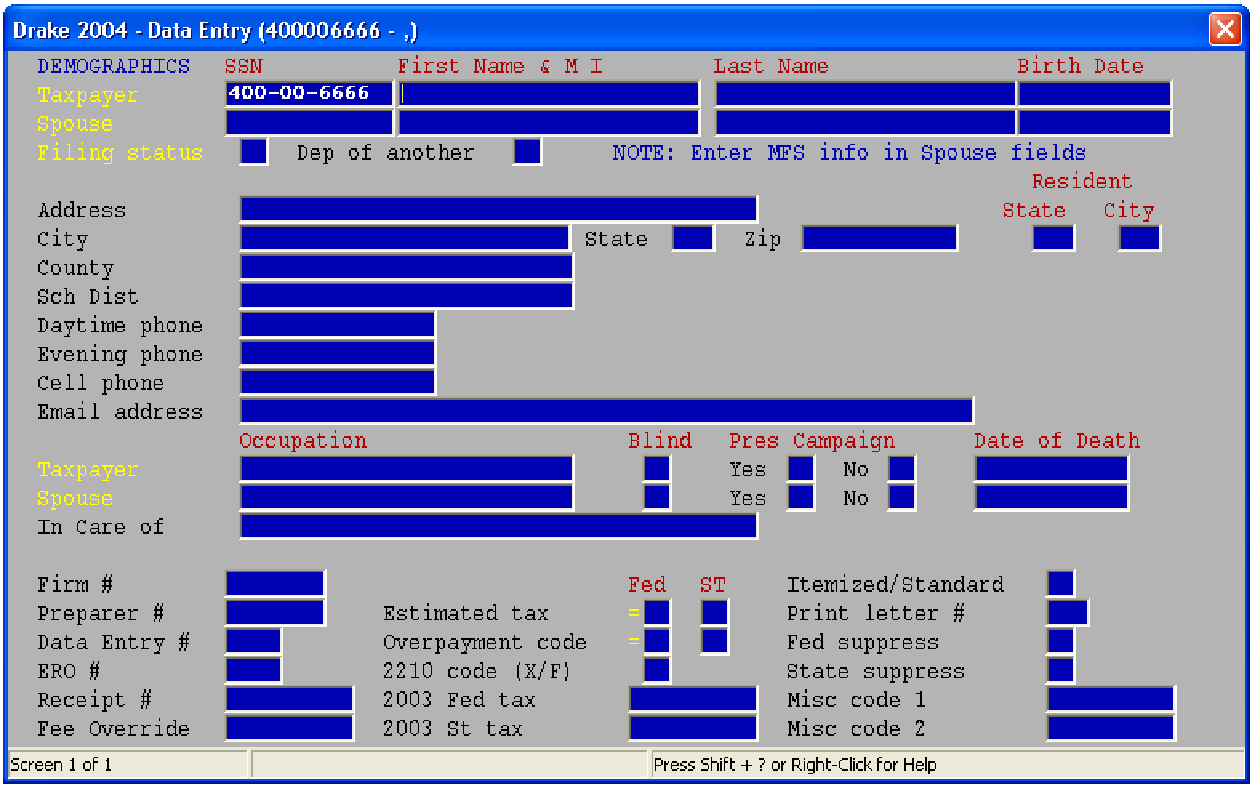
Figure 18: Select Return Type



Name and Address Screen

Each time you create a new client, the "**Name and Address**" screen opens initially (see Figure 19 on page 39). The information provided on this screen flows to each of the forms for this client.

Figure 19: "**Name and Address**" screen



Our Evaluation taxpayers are William and Amelia Carter from Burlingame, CA.

- They are filing a joint return.
- They have two children, Richard and Carolyn.
- William receives a salary from two computer jobs.
- Amelia is the sole-proprietor of a bakery.

Enter the following data in the name and address fields.

Fields	Taxpayer (TP) Data	Spouse Data
SSN*	400-00-6666	241-41-4441
First Name	William	Amelia
Last Name	Carter	Carter
Date of Birth**	5-25-1960	12-18-1962

Program Features:

- Pressing [Shift] + [?] in a completed Social Security Number field will produce information about the validity of the entered SSN.
- Drake Software includes an integrated zip code database. To speed data entry on "Screen 1", "W-2", "W-2G", "1099", "1099G" or the "Schedule C" screens, enter the zip code before entering the City and State fields. Typing the zip code populates the city, state, county and resident state fields.

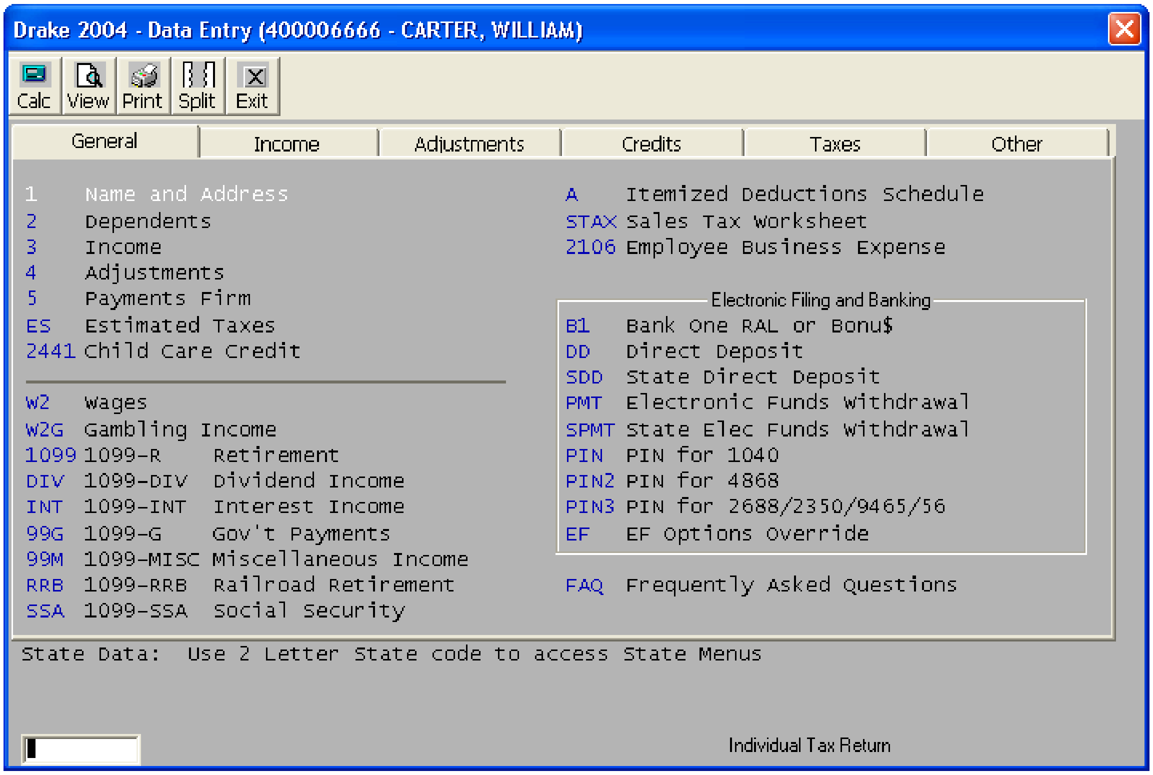
Fields	Data
Filing Status	2
Address	14998 New Heights Road
Zip	94010
Daytime Phone*	415-344-3443
Evening Phone*	415-645-6456
Occupation	Computer Technician
Presidential Campaign Fund	No

* Enter numbers with no formatting (dashes, dots or spaces) and the program automatically enters the formats for SSN, EIN, Date, Phone and Zip fields. These formats are for viewing purposes only and can be turned off in **Setup > Options > Data Entry Tab**.

SAVING DATA

When the "**Name and Address**" screen is complete, press [ESC] to return to the "**Data Entry Selection Menu**." The information entered is saved automatically as it is typed. On the "**Data Entry Selection Menu**", notice the "**Name and Address**" selection is highlighted, indicating that data is entered on this screen (see Figure 20 on page 41).

Figure 20: “**Data Entry Selection Menu**” with Active Screen



> If a screen is highlighted, but contains no data, the screen must be deleted or it can cause E-filing errors. Press [CTRL] + [D] from within the screen to delete the current data entry form.

Entering Dependent Information

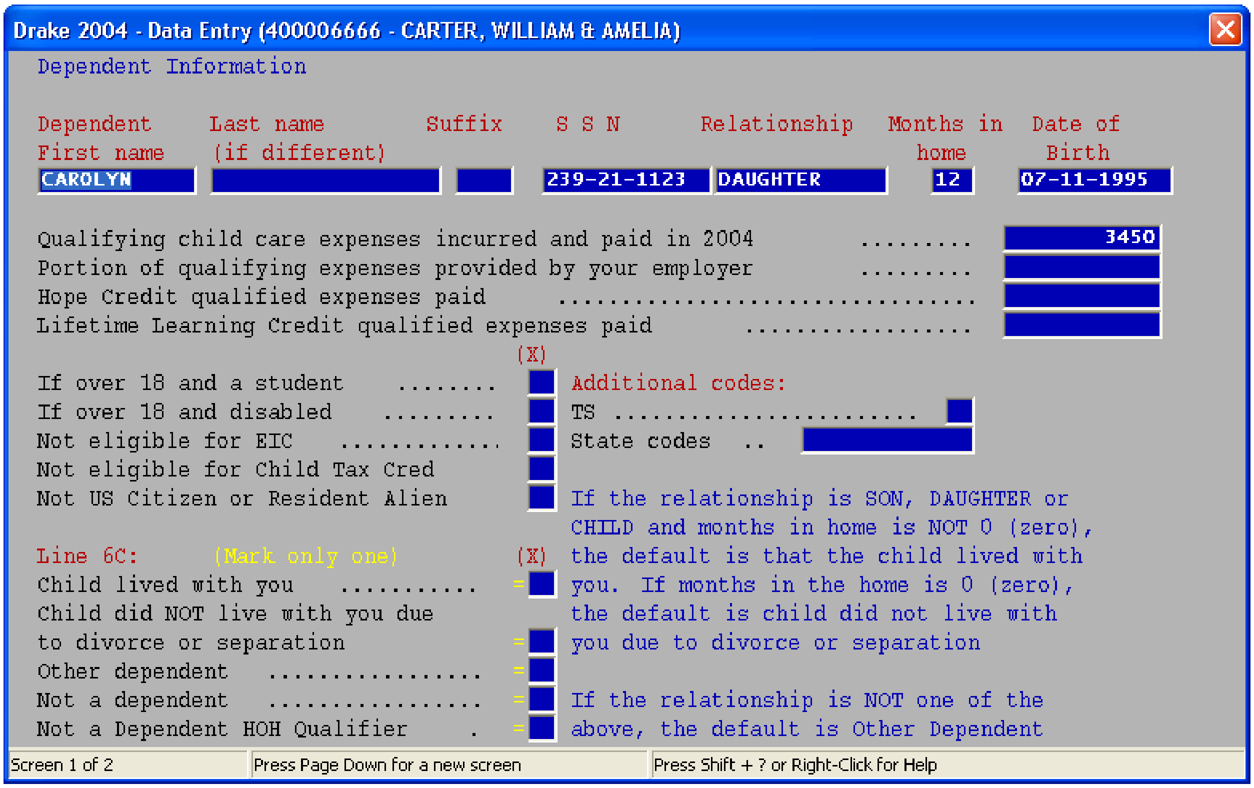
William and Amelia have two dependents. To access the dependent screen, type ‘2’ in the selector field (see Figure 21 on page 42). After entering the first child’s dependent information, press [PAGE DOWN] on the keyboard to produce an additional dependent screen for the second child’s information.

Enter the following information:

Fields	First Dependent Data	Second Dependent Data
First Name	Carolyn	Richard
SSN	239-21-1123	245-62-2235
Relationship	Daughter	Son
Months in home	12	12
Date of Birth	07-11-1995	12-18-1984
Qualifying Child Care Expenses	3450	

Fields	First Dependent Data	Second Dependent Data
Hope Credit Expenses		4200
If Over 18 and a Student		X

Figure 21: Dependent Information, Screen "**2**"


Drake 2004 - Data Entry (400006666 - CARTER, WILLIAM & AMELIA)
Dependent Information

Dependent First name	Last name (if different)	Suffix	S S N	Relationship	Months in home	Date of Birth
CAROLYN			239-21-1123	DAUGHTER	12	07-11-1995

Qualifying child care expenses incurred and paid in 2004 3450
Portion of qualifying expenses provided by your employer ....
Hope Credit qualified expenses paid ....
Lifetime Learning Credit qualified expenses paid ....

(X)
If over 18 and a student ....
If over 18 and disabled ....
Not eligible for EIC ....
Not eligible for Child Tax Cred
Not US Citizen or Resident Alien

Additional codes:
TS ....
State codes ..

Line 6C: (Mark only one) (X)
Child lived with you .... =
Child did NOT live with you due to divorce or separation =
Other dependent .... =
Not a dependent .... =
Not a Dependent HOH Qualifier . =

If the relationship is SON, DAUGHTER or CHILD and months in home is NOT 0 (zero), the default is that the child lived with you. If months in the home is 0 (zero), the default is child did not live with you due to divorce or separation

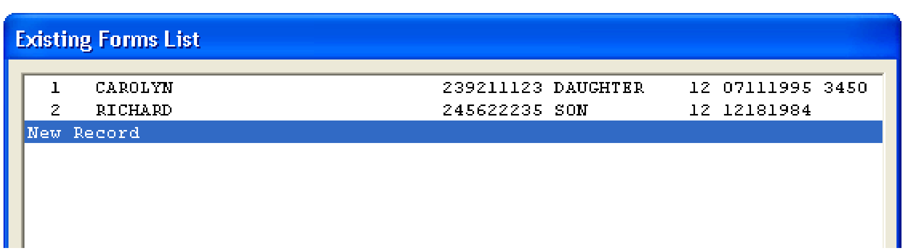
If the relationship is NOT one of the above, the default is Other Dependent

Screen 1 of 2 | Press Page Down for a new screen | Press Shift + ? or Right-Click for Help

Press [ESC] to return to the "**Data Entry Selection Menu**".

Once again, type '2' in the selector field to open the "Dependent" screen. When there are multiple screens entered, they display in an "Existing Forms List" (see Figure 22 below). Select an existing form to edit, or select "New Record".

Figure 22: Existing Forms List


Existing Forms List

1	CAROLYN	239211123	DAUGHTER	12	07111995	3450
2	RICHARD	245622235	SON	12	12181984	

New Record

ENTERING WAGES – W-2

To open the W2 screen, type "W2" in the selector field and press [ENTER] (see Figure 23 on page 44). In the first field of the W-2 screen, enter [T] for taxpayer or [S] for spouse. After tabbing to the next field, the corresponding taxpayer or spouse information is populated in the "**Employee Name/Address**" fields.

Remember, help is available in each data entry field. Press [Shift] + [?] to access detailed information for individual fields.

> Program Feature:
> Drake Software offers an Employer Identification Number Database. Each time a recognized EIN is entered on a W-2, 1099 or 2441, the business name and address populates.

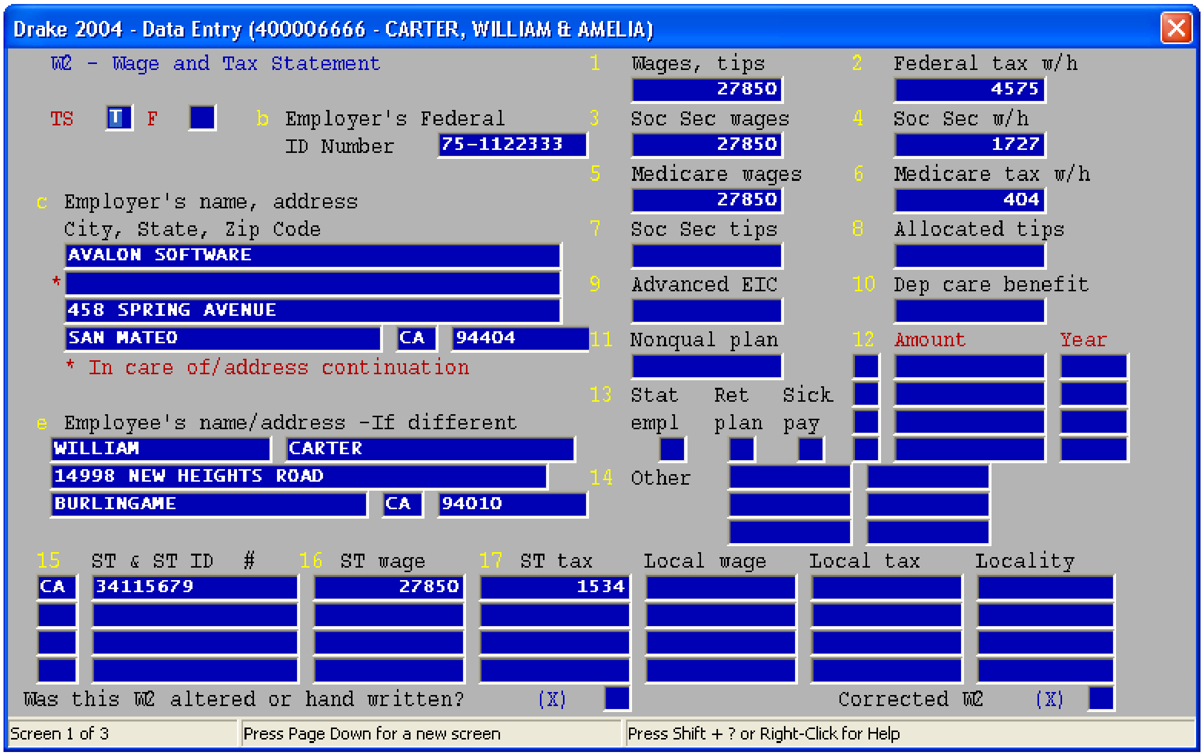
When entering wages, notice *Drake Software* populates boxes 3-6 and 16 based on the wages entered in box 1. Because there are three W-2s included in this return, press [PAGE DOWN] for a blank W-2 screen. Enter the information on the next page for the W-2s.

> When multiple screens are necessary, ex. when you have multiple W2s, 1099s, dependents, etc., press [PAGE DOWN] to save the current screen and produce an additional blank data entry screen.

Fields	Data
TS Field	T *
Federal ID	751122333**
Employer's Name	Avalon Software
Employer's Address	458 Spring Ave
Employer ZIP	94404
Wages	27850
Federal Tax Withheld	4575
State	CA
State ID	341115679
State Tax Withheld	1534
*This populates taxpayer information fields.	
**Once this employer ID is entered, it is saved in the EIN database. The next time this number is entered in data entry, the employer's city and state information will populate.	

> The bottom portion of the W-2 screen allows entry of state wage information.

Figure 23: Wages, **"W2"** screen



Enter the information for the second W-2.

Fields	Data
TS Field	T
Federal ID	759988777
Employer's Name	Catalyst Corporation
Employer Address	5877 Hurst Square
Employer ZIP	94061
Wages	25450
Federal Tax Withheld	5677
State	CA
State ID	462333465
State Tax Withheld	1340

William is also in the National Guard and received combat pay. Enter his military pay on the third W-2.

Fields	Data
TS Field	T
F Field	M
Federal ID	555555551
Employer's Name	United States Army
Employer Address	1876 We Want You Drive
Employer ZIP	28734
Wages	15000
Federal Tax Withheld	2131
14 - Other (first box)	Q
14 - Other (second box)	7000
State	CA
State ID	777777777
State Tax Withheld	1340

MUST READ

If you have a W2 with combat pay, in addition to entering the W2, you must also go to the "MISC" screen and enter 'X' in the "Military Indicator" field and in the "Special Processing" field, press [SHIFT] + [?] and select a combat location.

Press [ESC] to return to the "**Data Entry Selection Menu**".

ENTERING ITEMIZED DEDUCTIONS (SCHEDULE A)

To open the "**Itemized Deductions Schedule**" screen, type 'A' in the selector field and press [ENTER]. This form mirrors the IRS Schedule A (see Figure 24 on page 46).

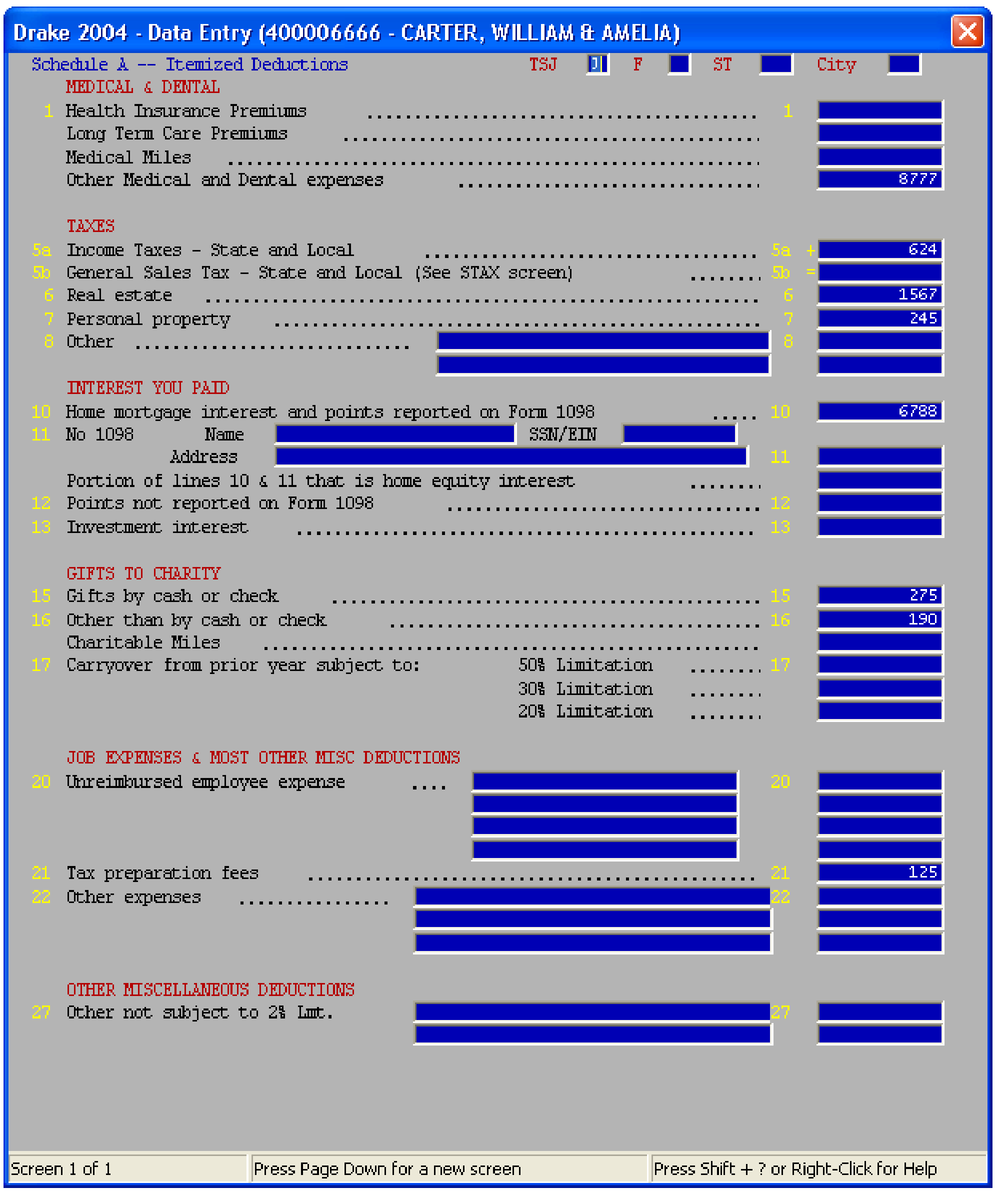
Enter the information shown below for the Carter's itemized deductions.

Fields	Data
TSJ Field	J
Medical/Dental Expenses	8777
State/Local Taxes	624
Real Estate	1567

Fields	Data
Personal Property Taxes	245
Mortgage Interest from 1098	6788
Cash/Check Charitable Contributions	275
Other Charitable Contributions	190
Tax Prep Fees	125

Press [ESC] to return to the “**Data Entry Selection Menu**”.

Figure 24: Schedule A, Itemized Deductions, “**A**” screen



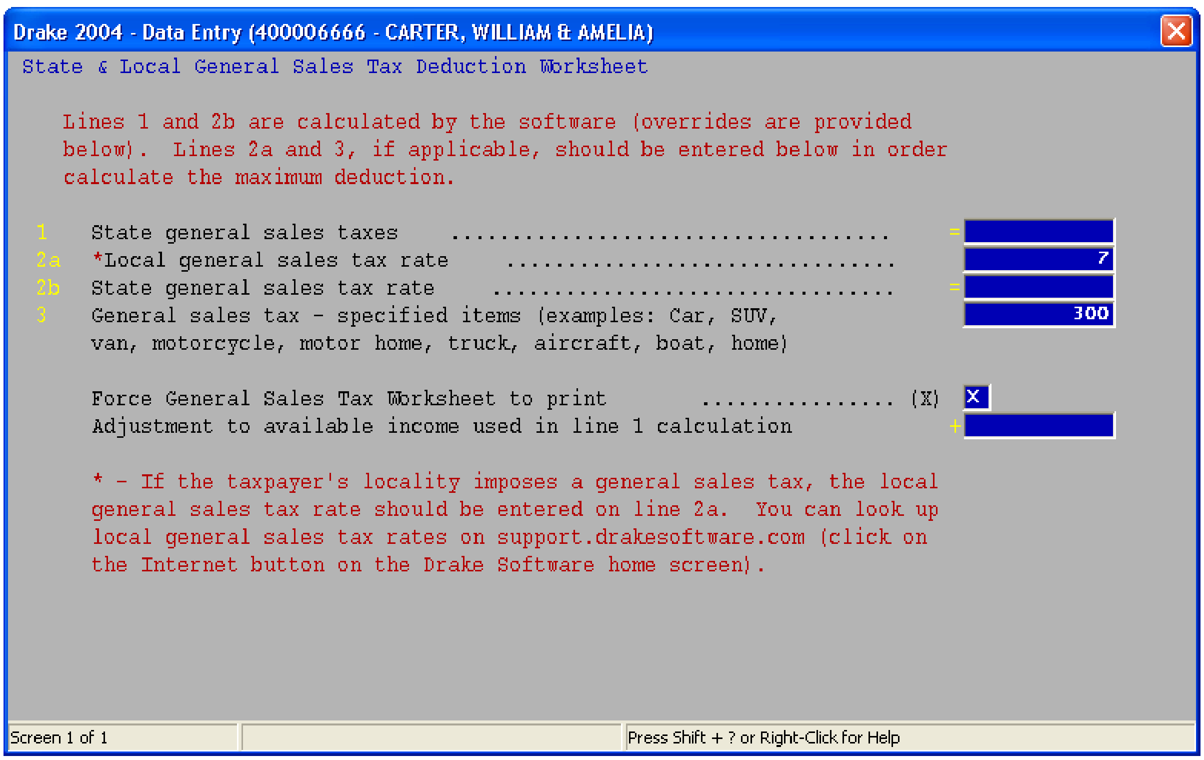
Entering Local Sales Tax

The Carter's purchased a boat and paid $300 in local county tax. Enter local tax of 7% as a decimal .07 on the "**STAX**" screen (see Figure 25 below). Type 'STAX' in the selector field and enter the following data:

Fields	Data
Local General Sales Tax Rate	.07
General Sales Tax - Specified Items	300

> Enter 'X' in the "Force General Sales Tax Worksheet to Print" field to view and examine the SALESTAX Worksheet in View Mode.

Figure 25: State and Local Tax, "**STAX**" screen



Entering Interest Income (Schedule B - 1099-INT)

To open the "**Schedule B - Interest Income**" screen, type 'INT' in the selector field and press [ENTER] (see Figure 26 on page 48).

Enter the following account interest for the Carter's return:

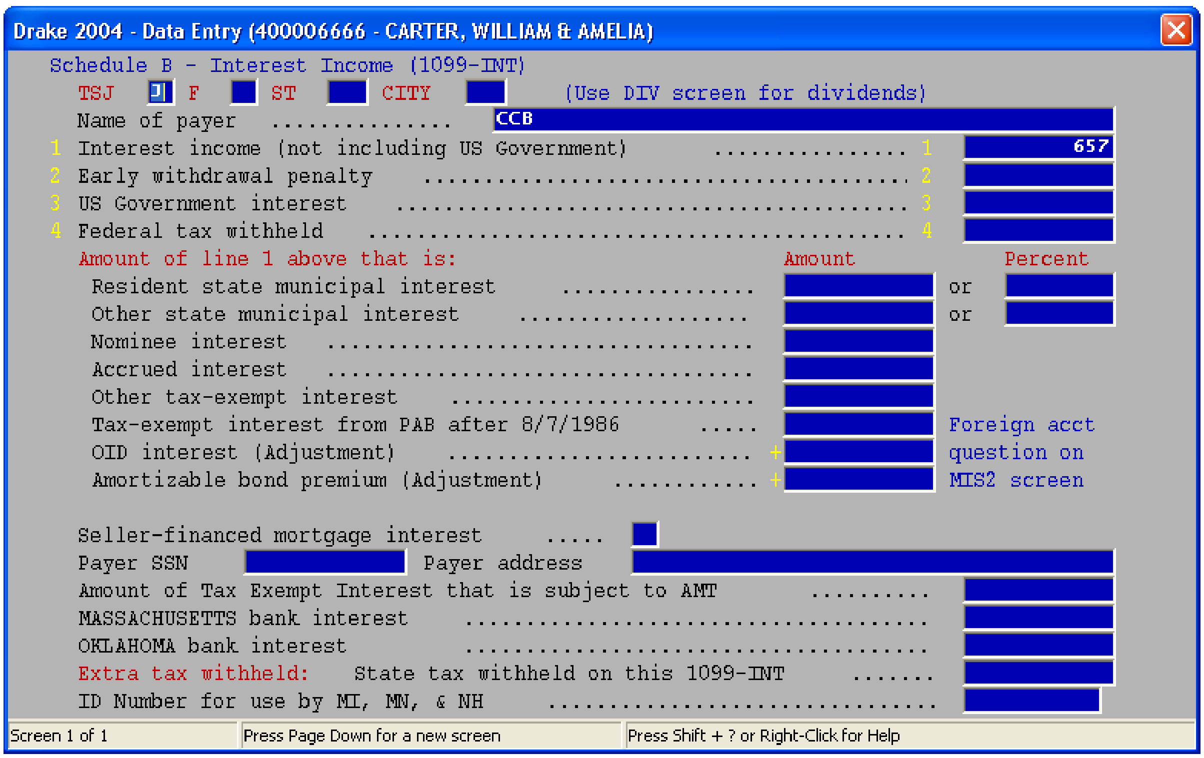
Fields	Data
TSJ Field	J

Fields	Data
Name of Payer	CCB
Interest Income	657

Press [ESC] to return to the "**Data Entry Selection Menu**".

> Dividend Income is entered in the same manner as Interest. To open the Schedule-B Dividend Screen, select DIV-Dividend Income on the General Tab or enter 'DIV' in the selector field.

Figure 26: Interest Income, "**Int**" screen



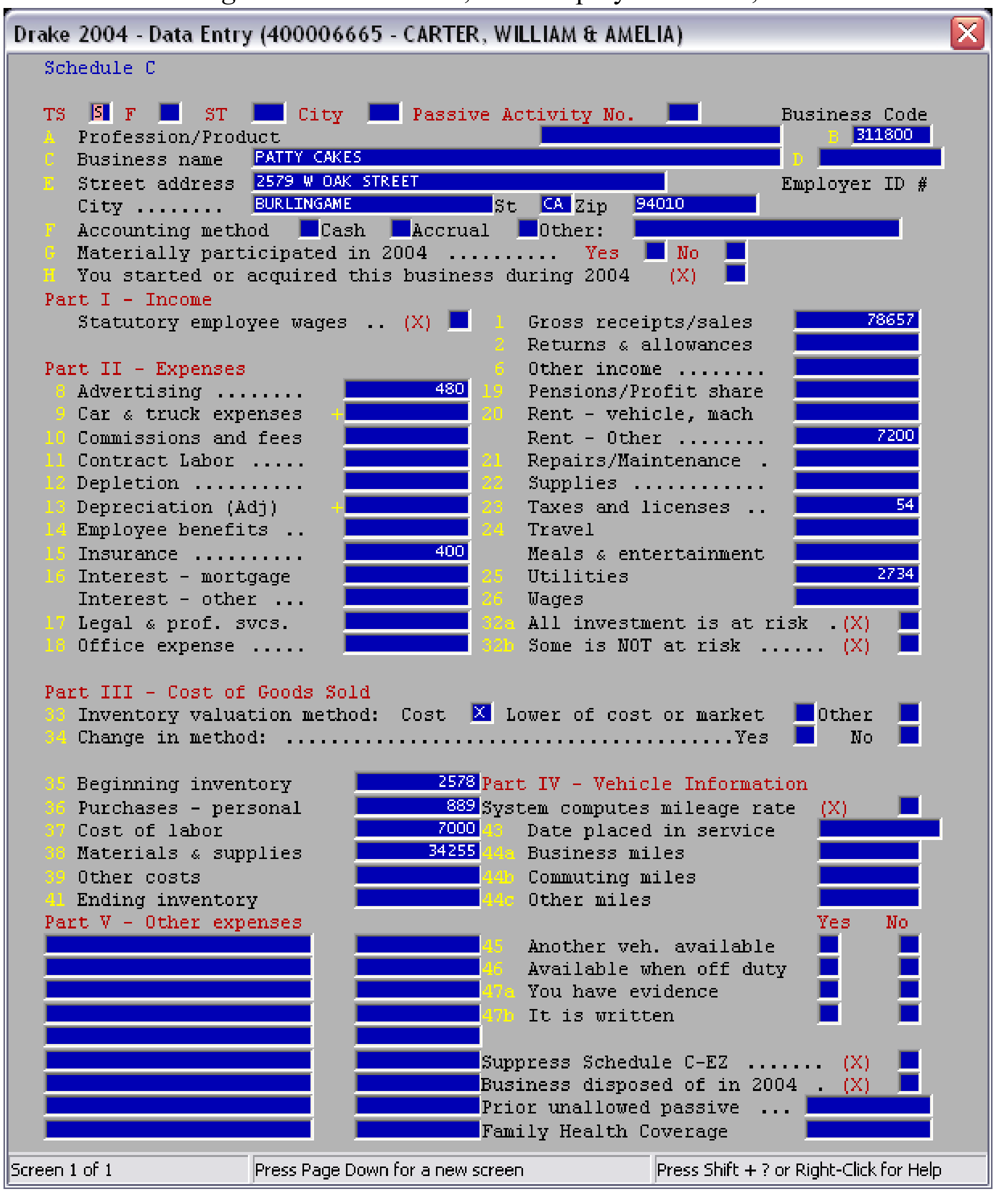
Entering Profits or Losses from Business (Schedule C)

To open the "Self-Employed Income" screen, type 'C' in the selector field and press [ENTER] (see Figure 27 on page 49).

Fields	Data
TS	S
Business Code	311800
Business Name	Patty Cakes
Street Address	2579 W. Oak Street

Fields	Data
Zip	94010
Accounting Method	Cash
Materially participated in 2004	Yes
Gross receipts or sales	78,657

Figure 27: Schedule C, Self-Employed Income, **"C"** screen



Enter the following additional information on "**Schedule C**" for Patty Cakes:

Expenses	Data	Cost of Goods Sold	Data
Advertising	480	Inventory Valuation Method	Cost
Insurance	400	Beginning Inventory	2578
Rent: Other	7200	Purchases Less Personal	889
Taxes & Licenses	54	Cost of Labor	7000
Utilities	2734	Materials/Supplies	34255

Press [ESC] to return to the "**Data Entry Selection Menu**".

Entering Depreciation

Drake Software provides six data entry screens for Depreciation. On the Income Tab of the "**Data Entry Selection Menu**", the six screens are grouped together in a box labeled "Depreciable Assets". Selection options are clearly marked and include **Form 4562 - Depreciation Detail** and five additional screens offering additional parts of **Form 4562.** The 4562 is usually the only screen necessary to enter depreciation. Screens 6-9 are used only when entering an existing return. Screen 10 contains the Bonus Depreciation Elections.

To create a **Form 4797** from within the 4562, double-click an asset. Complete the "If Sold" column on the bottom left. The only fields required are the date sold, the sales price and the property type.

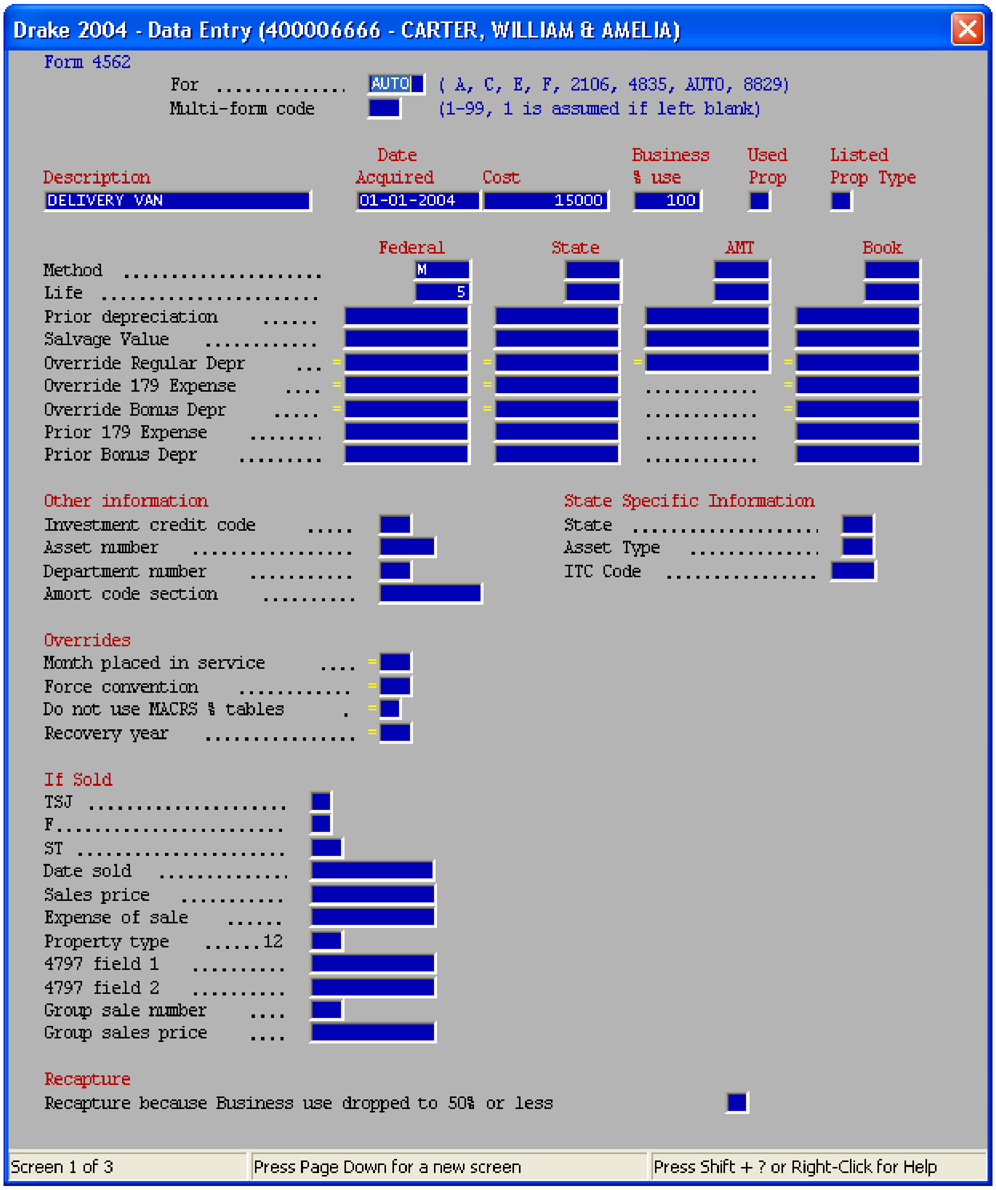
For the Carter's return, there are three separate depreciable assets. The first is Patty Cakes' baking oven and the others are the business vehicles.

To open the depreciation data entry screen, type '4562' in the selector field and press [ENTER] (see Figure 28 on page 51). Enter the following information on the 4562 Screen. Press [PAGE DOWN] for the next entry.

Fields	Data	Data	Data
For:	AUTO	AUTO	C
Description	Delivery Van	Delivery Truck	Oven
Date Acquired	01-01-2004	05-01-2004	06-30-2004
Cost	15000	25000	7000
Business Percentage	100	100	100
Method	M	M	M
Life	5	5	7

Press [ESC] to return to the "**Data Entry Selection Menu**".

Figure 28: Deprecation Detail, **“4562”** screen



Entering Child & Dependent Care Expenses (Form 2441)

To open the “**Child & Dependent Care Expenses**” Screen (Form 2441), type ‘2441’ in the selector field and press [ENTER] (see Figure 29 on page 52).

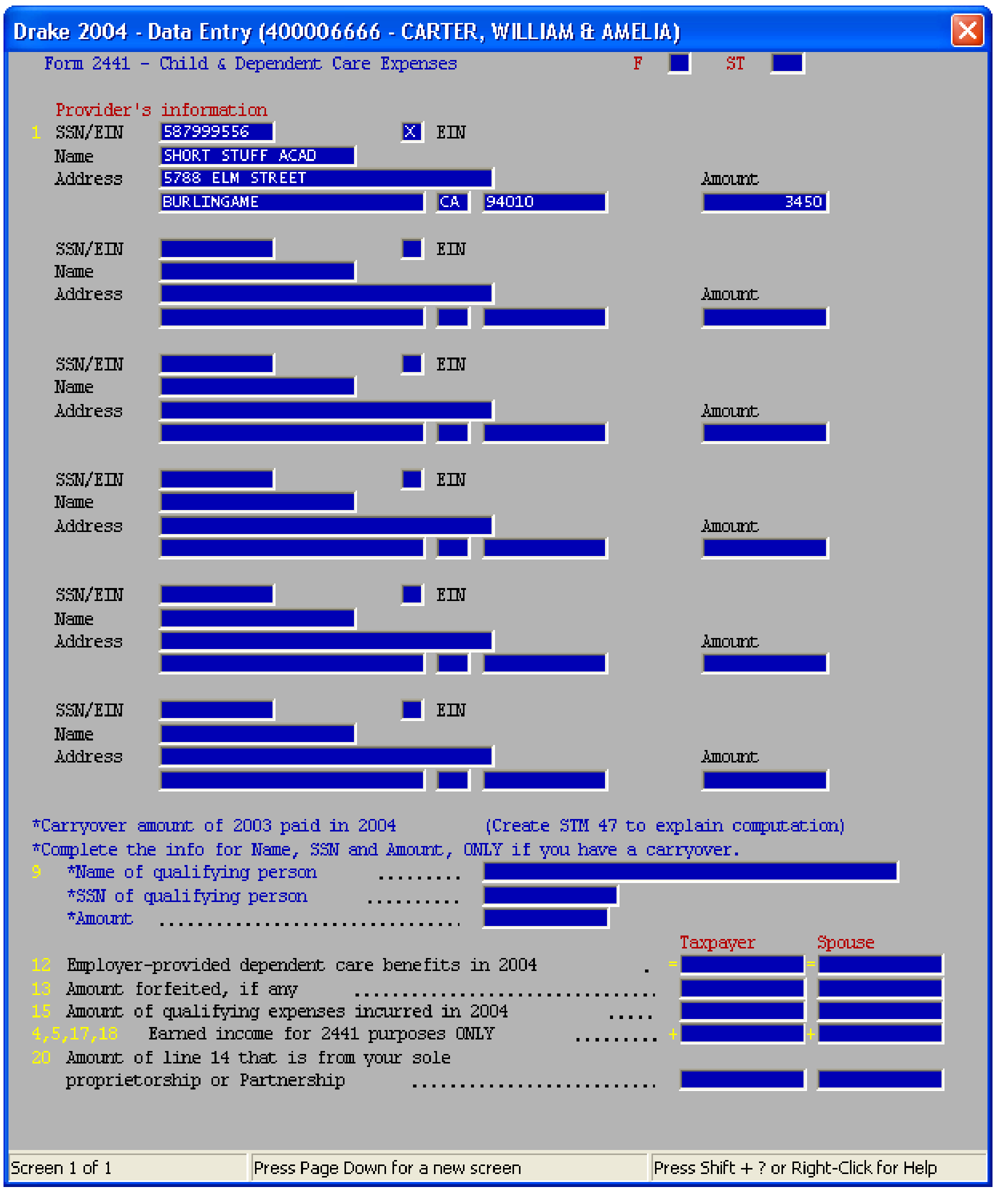
> When entering child care expenses, make sure the expense amounts are listed on BOTH the Dependent Screen and the 2441 Screen.

Fields	Data
SSN/EIN	587999556

Fields	Data
EIN	X
Provider's Name	Short-Stuff Academy
Address	5788 Elm Street
Zip	94010
Amount	3450

Press [ESC] to return to the "**Data Entry Selection Menu**".

Figure 29: Child & Dependent Care Expenses, **"2441"** screen



ENTERING "OFFICE IN HOME" INFORMATION

In addition to owning Patty Cakes Bakery, Amelia's storage facility for linens and other catering materials is located at her home. She qualifies for "Office in Home" expenses which are entered on the **"8829"** screen (see Figure 30 on page 54). To access this data entry screen, type '8829' **(Office in Home**).

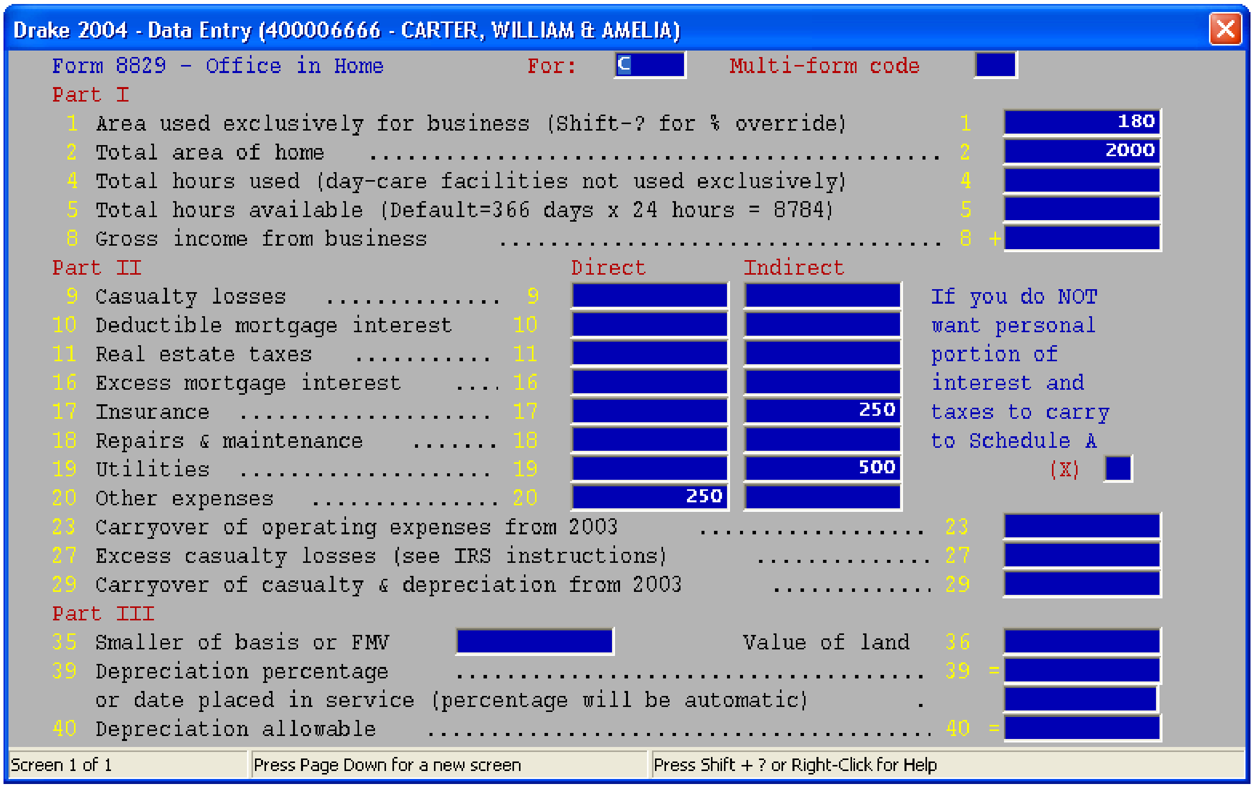
Fields	Data
For	C
Area used exclusively for business	180
Total area of home	2000

Input the following additional information:

Fields	Direct Expenses	Indirect Expenses
Insurance		250
Utilities		500
Other Expenses	250	

Press [ESC] to return to the "**Data Entry Selection Menu**".

Figure 30: Office in Home, **"8829"** screen



Entering Moving Expenses (Form 3903)

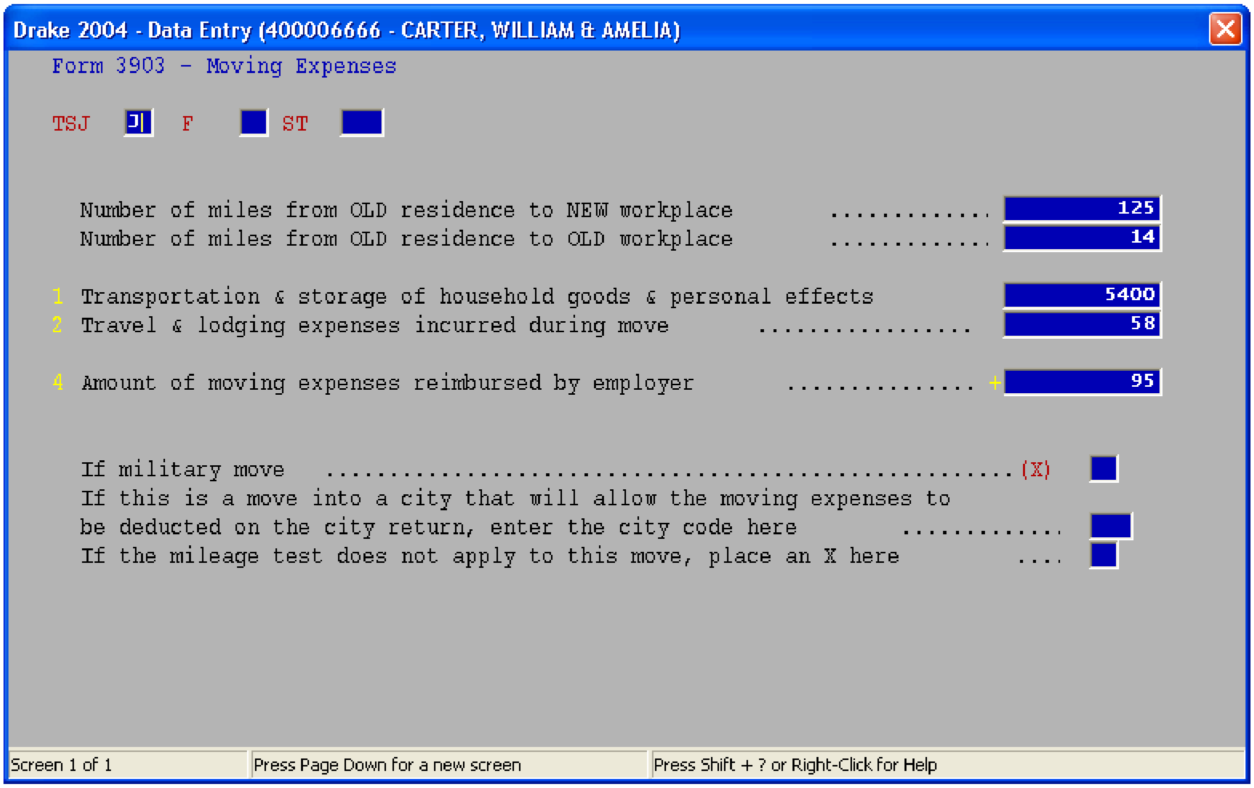
During the last year, the Carter's moved to a new location because Bill changed jobs. To open the "**Moving Expenses**" screen, type '3903'(see Figure 31 on page 55).

Enter the following moving expenses on the 3903 Screen:

Fields	Data
Miles from Old to New	125
Miles from Old to Old	14
Transportation & Storage	5400
Travel & Lodging	58
Amount Reimbursed	95

Press [ESC] to return to the "**Data Entry Selection Menu**".

Figure 31: Moving Expenses, "**3903**" screen



AUTO MILEAGE FOR SCHEDULE C

Enter mileage information on the **"AUTO"** screen. Type [AUTO] (see Figure 32 on page 56).

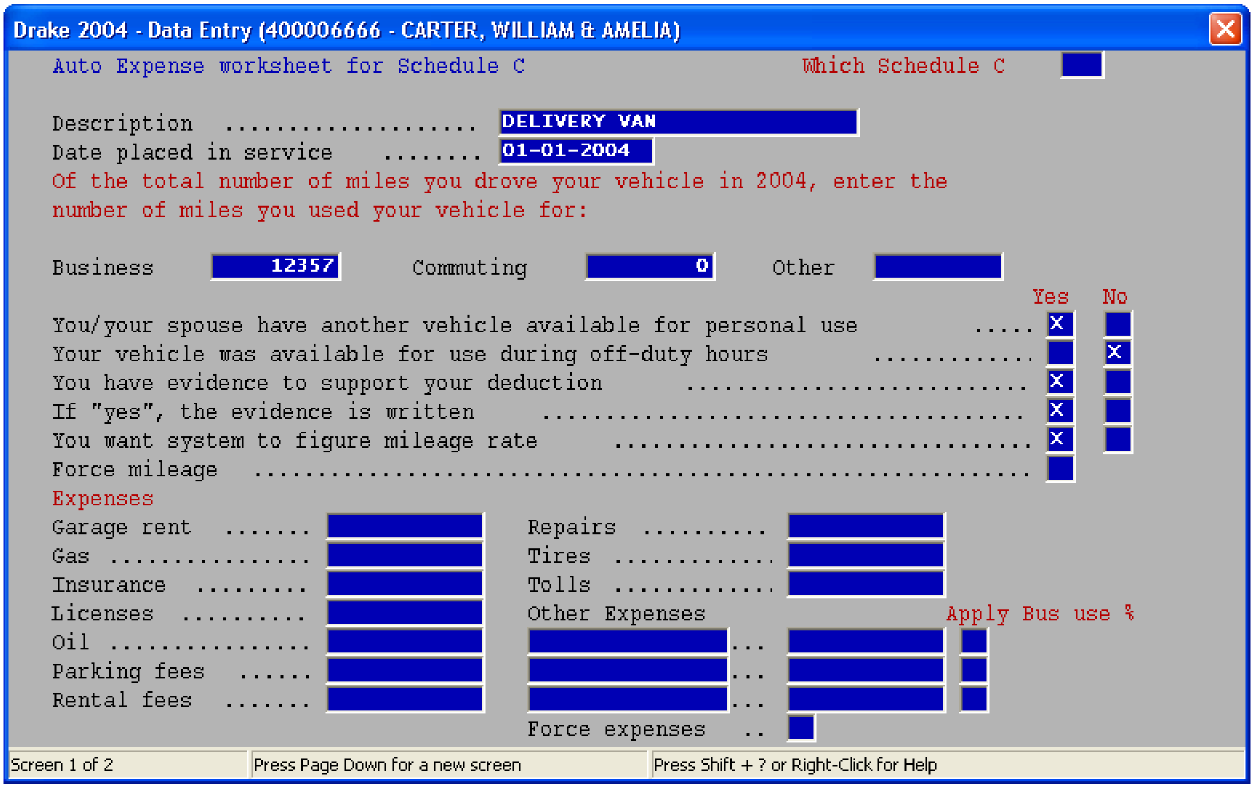
Fields	Delivery Van	Delivery Truck
Description	Delivery Van	Delivery Truck
Date Placed in Service	01-01-2004	05-01-2004
Business Miles	12357	22335
Commuting Miles	0	0

Both vehicles were used primarily by the owner, and neither was available for personal use. Amelia maintains a policy prohibiting personal use of the vehicles. However, because there are no commuting miles on either vehicle, policies regarding commuting are not necessary. Opt to let the software determine the mileage rate.

Make sure to answer the "Yes or No" questions on this screen to ensure acceptance by the IRS. These fields are required.

Press [ESC] to return to the "**Data Entry Selection Menu**".

Figure 32: Auto Expense Worksheet for Schedule C, **"AUTO"** screen



ENTERING PARTNERSHIP INFORMATION (SCHEDULE K-1)

Partnership information is entered on the Schedule K-1. To open the **"Partnership K1",** type 'K1' in the selector field (see Figure 33 on page 57).

Field	Data
TS	T
Partnership ID	561122334
Partnership Name	Dynamic Distributing
This is a passive activity	X
This partner is a limited partner	X

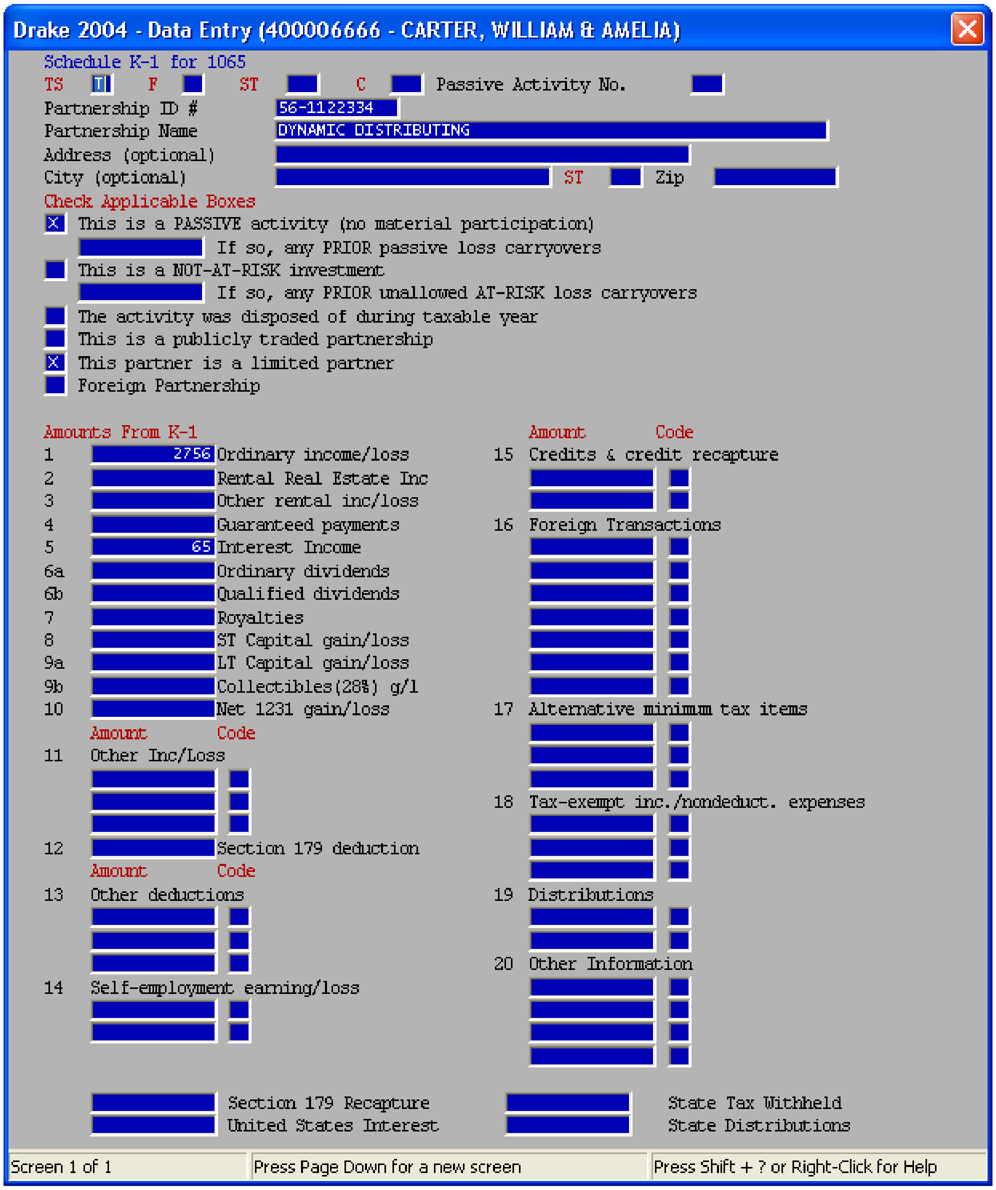
Make sure to pay attention to the help text [Shift] + [?] to see to where, or if, information carries.

Enter the following amounts from the K1.

Line	Amount
1	2756
5	65

Press [ESC] to return to the "**Data Entry Selection Menu**".

Figure 33: Schedule K1 for 1065, **"K1"** screen

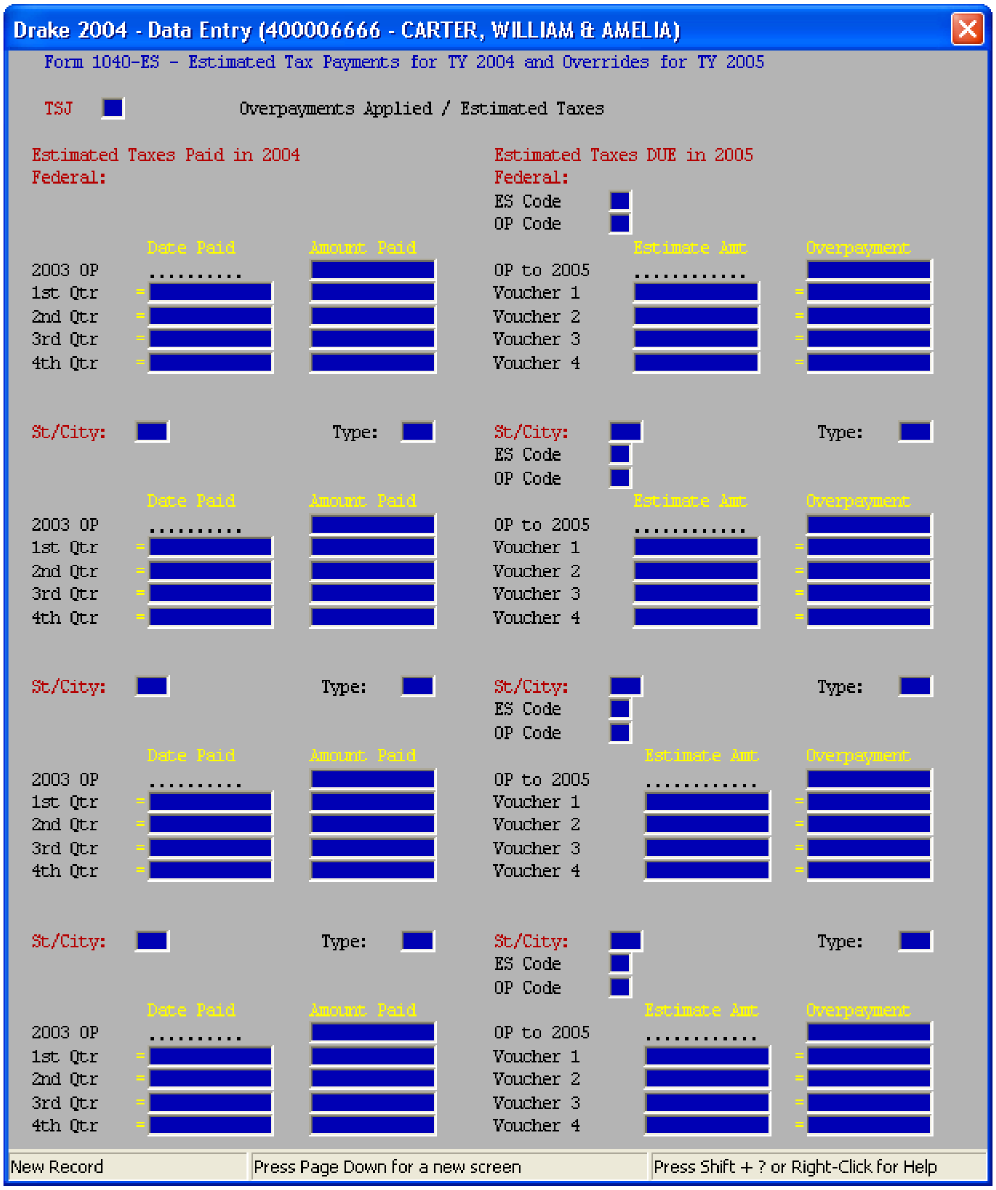


ENTERING ESTIMATED TAXES

To override the system's automatic calculations and enter estimated taxes, type 'ES' in the selector field to open the **"Estimated Taxes"** screen (see Figure 34 on page 58). This screen is divided into columns and sections: 2004 Estimated Taxes Paid and 2005 Estimated Taxes Due.

Review the screen. It is not necessary to enter Estimated Tax data for the Carter's return.

Figure 34: Estimated Tax Payments, "**ES**" screen



ENTERING STATE DATA

State returns are easy to generate in *Drake Software*. First, either install the state software on the hard drive, or simply insert the "Evaluation CD" into the CD drive (see "State and City Program Installation" on page 5 for installation instructions).

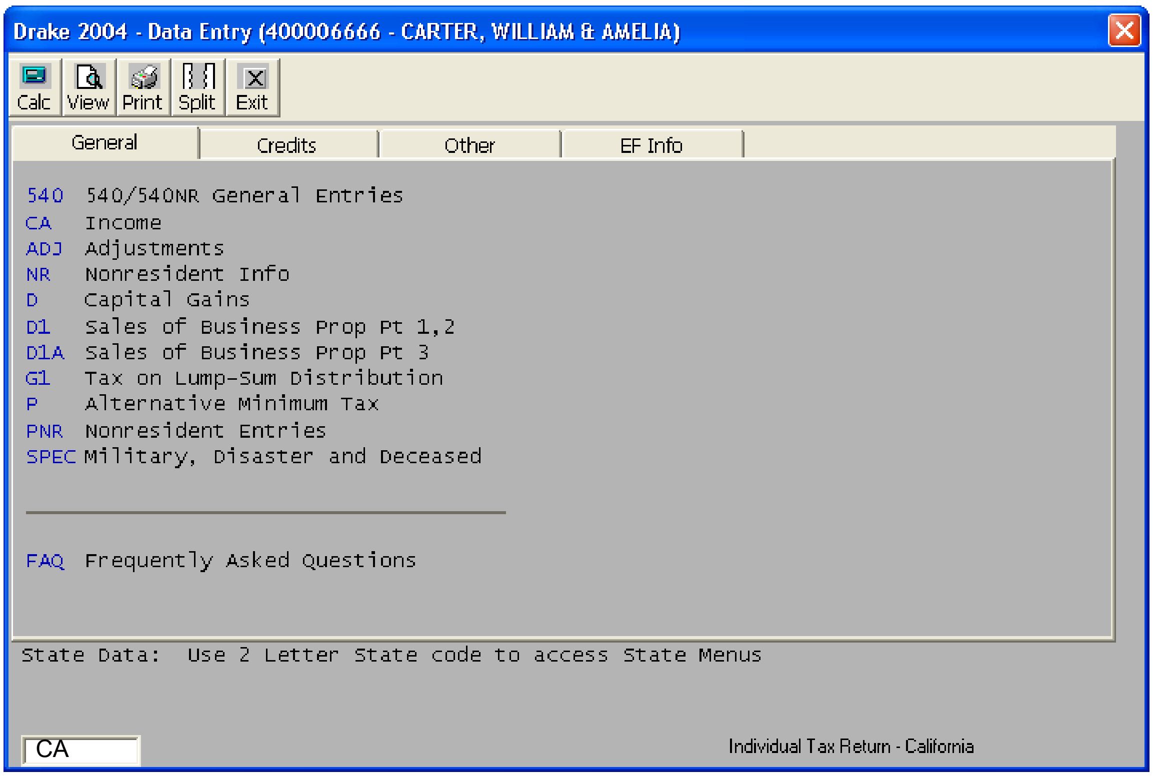
> To run state programs from the CD, go to **Setup > Directories/Paths** and for the "Drive letter for State Programs", select the drive letter of your CD drive.

State forms automatically generate, based on data entered on the federal return. Calculation is based on the State entered on the "**Name & Address"** screen for "Resident State", as well as the State codes indicated on W-2s, Schedule C, 1099, Schedule B, etc.

For specific information pertaining to the state, "**State Data Entry"** screens are available. On the "**Data Entry Selection Menu**", type the two-letter state code for the desired state and press [ENTER]. Screens of available state forms appear (see Figure 35 below). For a list of valid city codes, see "Valid City Codes" on page 108, or press [SHIFT] + [?] in the "Resident City" field on federal screen "**1**".

Review the state data entry screens. It is not necessary to enter state-specific data for the Carter's return.

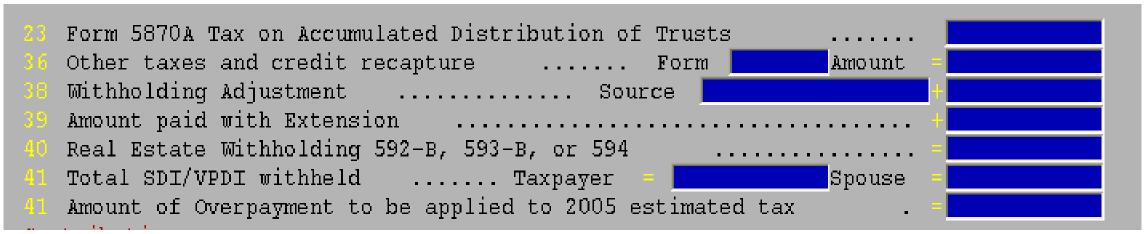
Figure 35: State Return's **"Data Entry Selection Menu"**



On each of the forms screens, you will notice several symbols:

- If the field is marked "Override" (indicated by an '=' symbol), an entry in the field overrides any calculations or federal data normally associated with that item (see Figure 36 on page 60).
- If the field is marked "Adjust" (indicated by a '+' symbol), any data entered in that field will be added to the calculated amount normally associated with that field. To reduce an amount in an adjust field, enter a negative figure (see Figure 36 on page 60).
- All other entries are direct, no entry made means nothing appears on the form.

Figure 36: Overrides and Adjustments on a state screen



Part-Year Return

In the "Resident State" field of the "**Name & Address"** Screen, enter "PY" for a part year return. If questions arise about what options are available for a specific field, press [SHIFT] + [?].

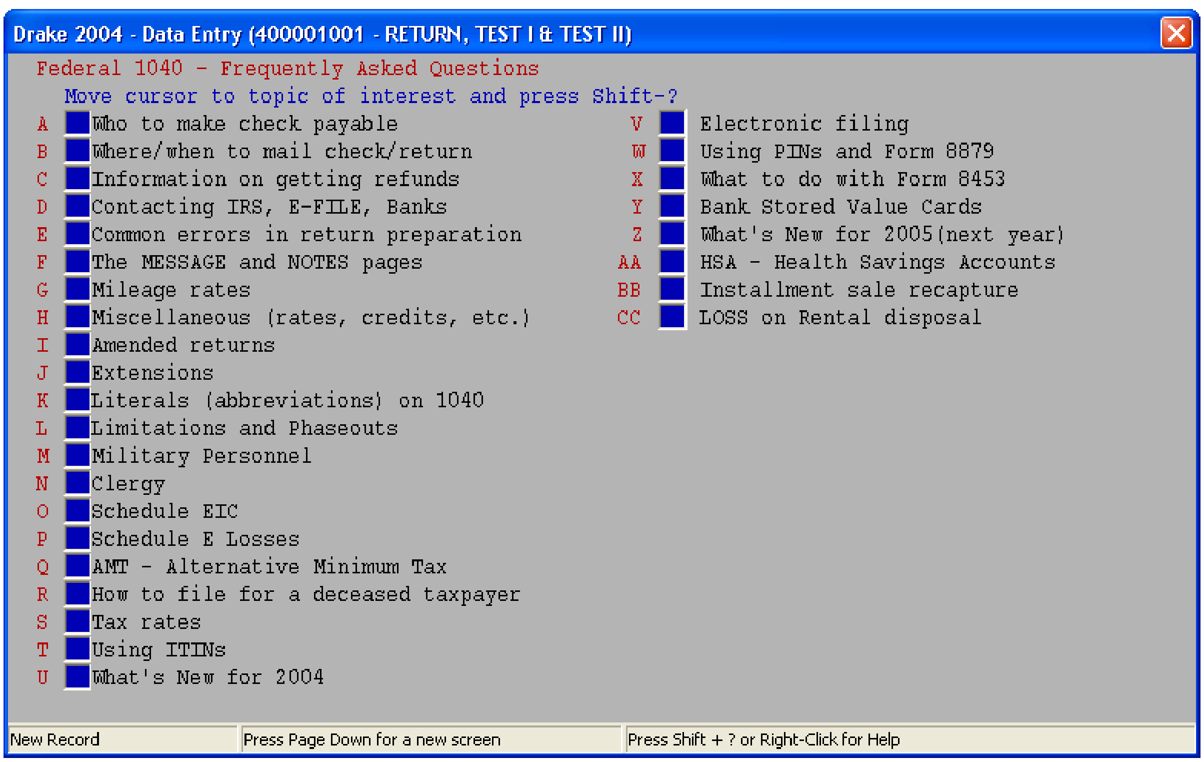
For those forms corresponding to a particular state (2106, 2441, W2, etc.), enter the appropriate state in the **ST** field at the top of the screen. This prints the state information on the appropriate state form.

FAQ Screen

The FAQ Screen for each state is a great resource for federal and state-specific information. On the **"Data Entry Selection Menu"** for the federal or state, type 'FAQ' in the selector field (see Figure 37 below). To view a topic, place your cursor in the desired field, and press [SHIFT] + [?] to access the information.

Review the **"FAQ"** screen.

Figure 37: **"FAQ"** screen



Direct Deposit

Use the **"DD"** screen to elect direct deposit of the IRS refund to the taxpayer's checking or savings account (see Figure 38 below). Generally, direct deposit refunds are received one week earlier than paper checks.

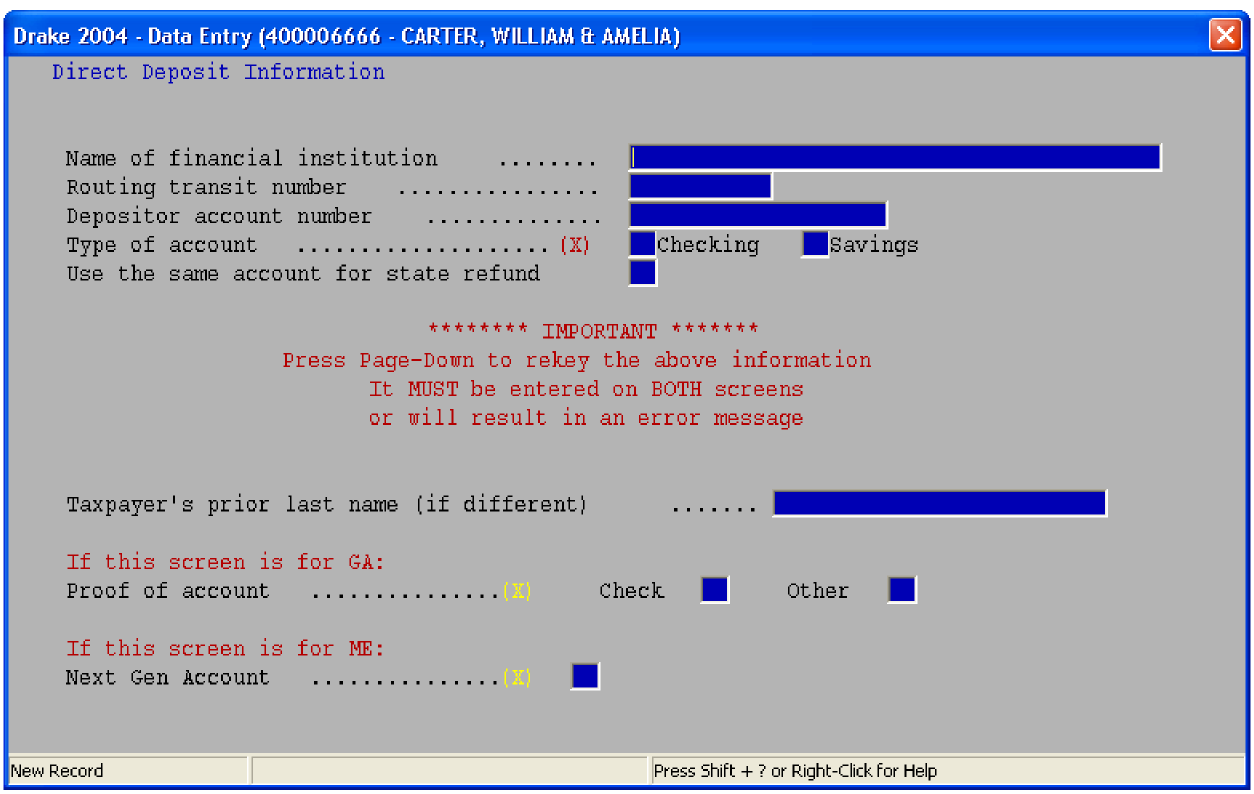
The direct deposit account must be in the taxpayer's name and cannot include the name of another person. If married filing joint, the account can be in either the taxpayer's or the spouse's name, or both. If married filing separate, the account can be a joint account, or in the name of the taxpayer, but not only in the name of the other spouse. "Payable through" accounts are *not* acceptable for direct deposit. After completing the screen, press [PAGE DOWN] to rekey account number information.

> If the direct deposit information for the state return is the same as the federal return, enter 'X' in the "Use the same account for state refund" field. It is not necessary to re-key the information on the "SDD" screen.

Use the **"SDD"** screen to arrange a direct deposit of state refunds. The account information on this screen is transmitted. After completing the screen, press [PAGE DOWN] to rekey the information. Direct deposit policies differ from state to state. Check with the specific state for more information.

Review the screen. It is not necessary to enter Direct Deposit data for the Carter's return.

Figure 38: Federal Direct Deposit, **"DD"** screen



Payment

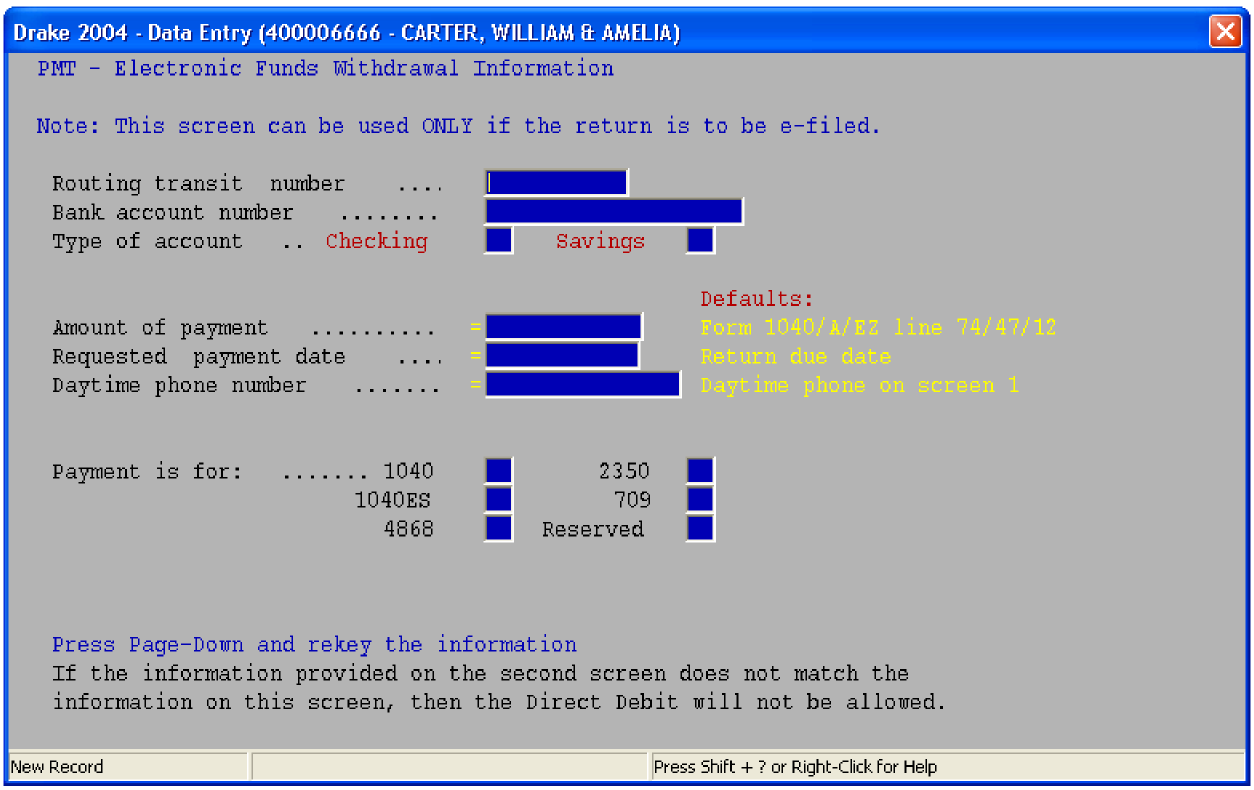
Use the "**PMT**" screen to pay the tax due amount through automatic withdrawal from the taxpayer's bank account (see Figure 39 below). Enter the taxpayer's electronic funds withdrawal information. After completing the screen, press [PAGE DOWN] to rekey the information.

> Do not use this screen unless the return will be filed electronically.

> Use the "SPMT" screen for the following states only: AZ, CA, CT, DE, IL, KS, KY, LA, MA, MD, ME, MN, MT, NE, NJ, NM, NY, OH, OK, PA, SC, VA, WI and WV. Not all states allow electronic payments for taxes due.

Review the screen. It is not necessary to enter Payment data for the Carter's return.

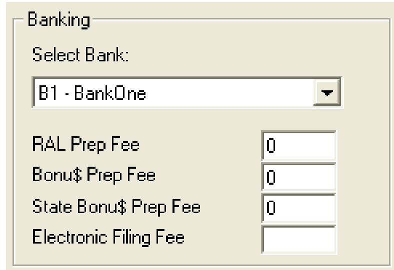
Figure 39: Payment, **"PMT"** screen



Bank Products

Bank products are available through Bank One, HSBC, Republic Bank or Santa Barbara Bank & Trust. Indicate the bank you use for bank products in **Setup > Firm** (see Figure 40 on page 63)**.**

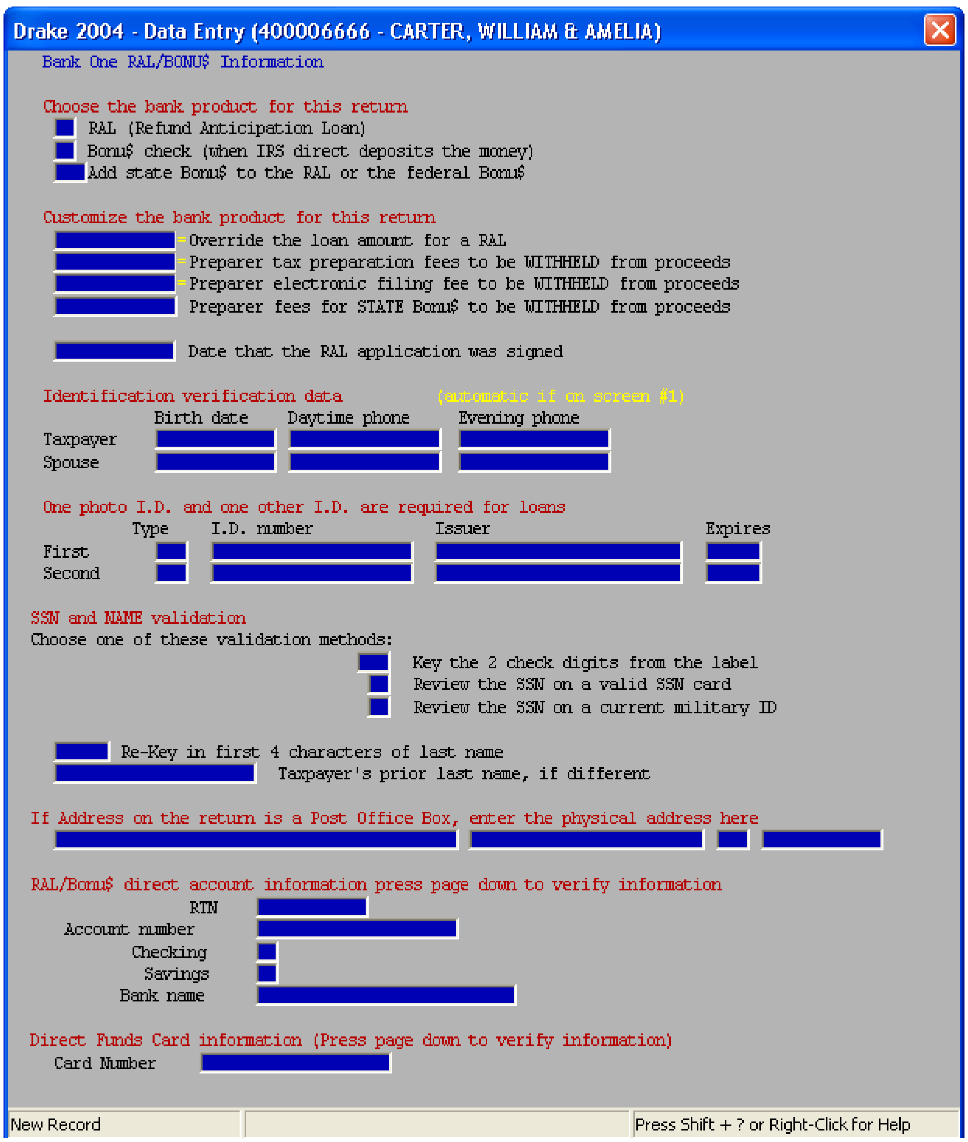
Figure 40: **Setup > Firm**, Banking Section



Once a bank is selected, the corresponding screen is activated. Enter bank information on the **B1, HSBC, RB** or **SB** screen (see Figure 41 below).

Review the screen. It is not necessary to enter Bank data for the Carter's return.

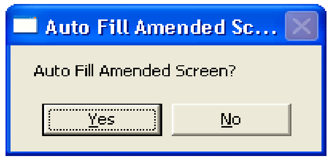
Figure 41: Example Bank Screen, Bank One, **"B1"** screen



Filing an Amended Return

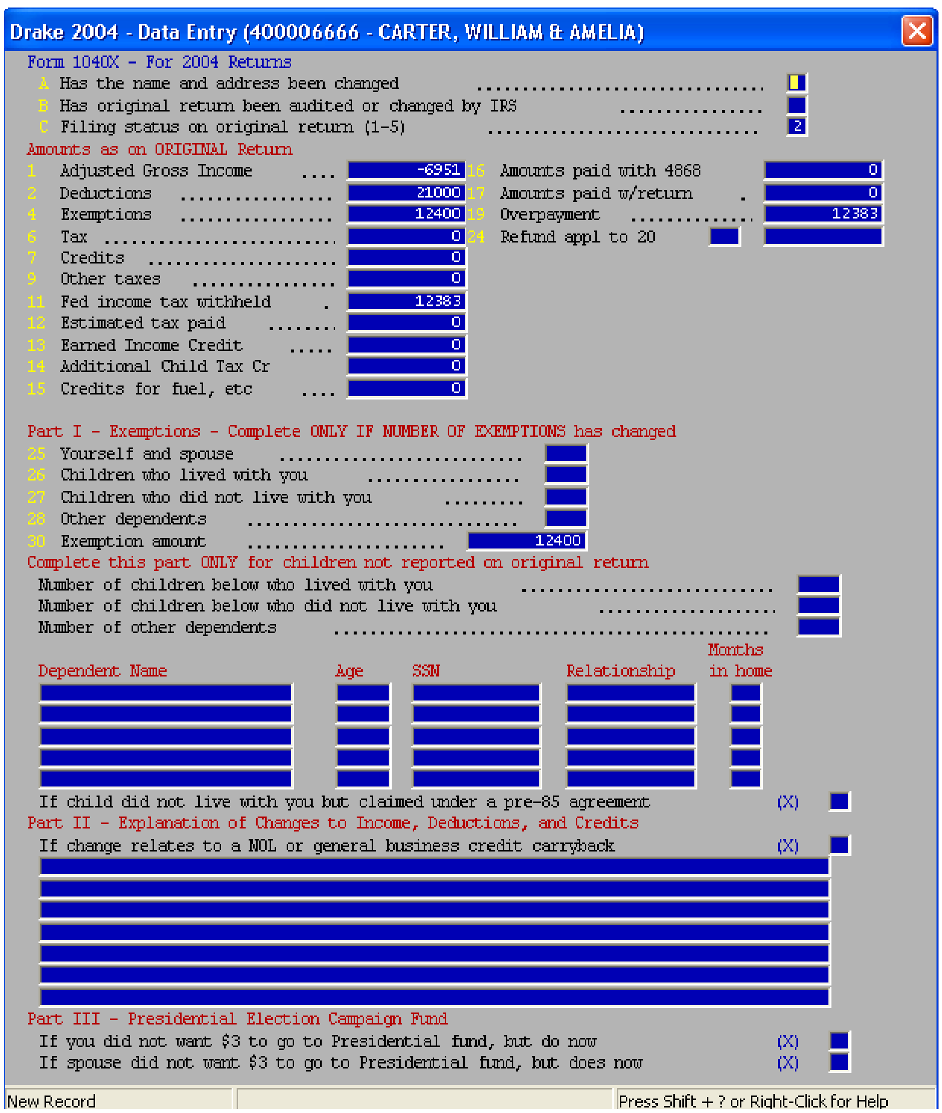
The 1040X form cannot be e-filed, but can be populated with data from the original form. Enter [X] in the selector field to open the form. When you are prompted (see Figure 42 below), click [YES] to auto-fill the 1040X with information from the original return (see Figure 43 below). Then change the data in the original return to reflect your amendments to the return. Print out the return and check for accuracy. An amended return must be mailed to the IRS.

Figure 42: Auto Fill Amended Screen Prompt



Review the screen. It is not necessary to enter amended data for the Carter's return.

Figure 43: 1040X, **'X'** screen



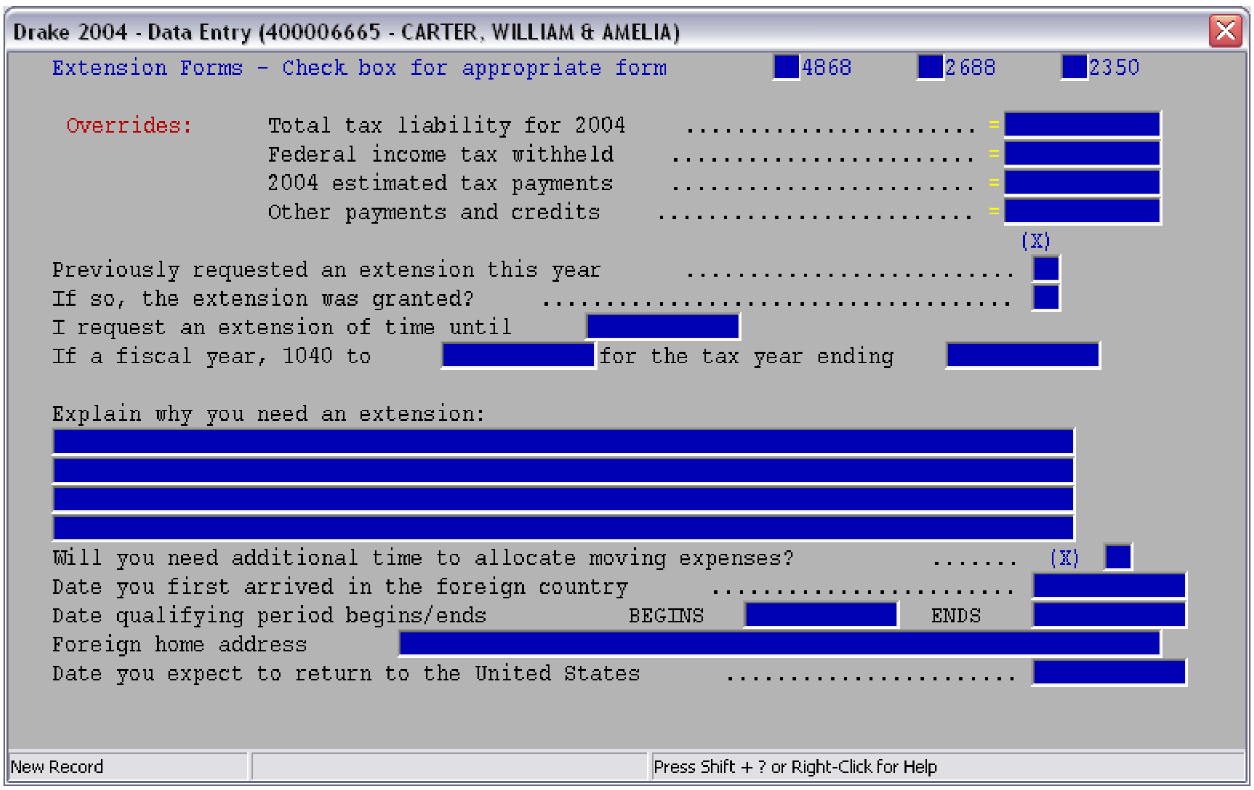
Filing an Extension

Use the "**EXT**" screen to file an extension (see Figure 44 below). Only one extension can be generated at a time. If Form 4868 is filed in April, remove the "X" from that field and place it in the "2688" field to generate a later extension.

> A PIN2 screen must accompany a 4868 with a Payment [PMT] screen. A payment must accompany all 4868s with a balance due. These can be selected for EF (also complete line 68 of screen 5).

Review the screen. It is not necessary to enter extension data for the Carter's return.

Figure 44: Extension, **"EXT"** screen



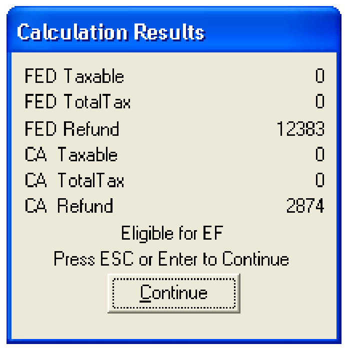
Calculate and Print the Return

Return Calculation

Drake Software automatically saves all data as it's being entered. However, it does not automatically calculate the return. From anywhere within the return, press [CTRL] + [C] or [CTRL] + [V] to calculate the return.

- Press [CTRL] + [C] to calculate the return and view a calculation summary screen (see Figure 45 below). Press [CONTINUE] to return to the **"Data Entry Selection Menu"**.

Figure 45: Calculation Summary Window



- Press [CTRL] + [V] to calculate the return and enter View mode. View mode enables you to view the actual forms that will print for the return.

The program automatically calculates when you exit a return. This ensures that the latest figures are calculated and saved.

> To automatically calculate the return when you view or exit, go to **Setup > Options > Calculate View/Print Tab** and select to turn on "Auto Calculate Return when exiting data entry".

> If the "Pause Option for Calculation" option has been selected to "After view or print only" in **Setup > Options > Calculation & View/Print Tab**, the calculation summary screen will display after pressing [CTRL] + [V]. Press [ESC] or the [SPACE BAR] to continue.

When the "**View Mode**" screen opens, use one of these methods to select a form:

1. Double-click the form to view.
2. Use the up/down arrow keys to move through the list. Press [ENTER] when the desired form is highlighted.

In the open form, use [PAGE UP] or [PAGE DOWN] or the up/down arrow keys to scroll. Press [ESC] to close the form and return to the list.

To return to data entry, click [DATA ENTRY] or press [CTRL] + [E].

> When you view a return, a red MESSAGES page or yellow NOTES page may be present. See "Messages Pages" on page 79 for information about these features.

PRINT FILES

When the return is calculated, a "print" file is created. A "print" file must exist before the return can be selected for electronic transmission.

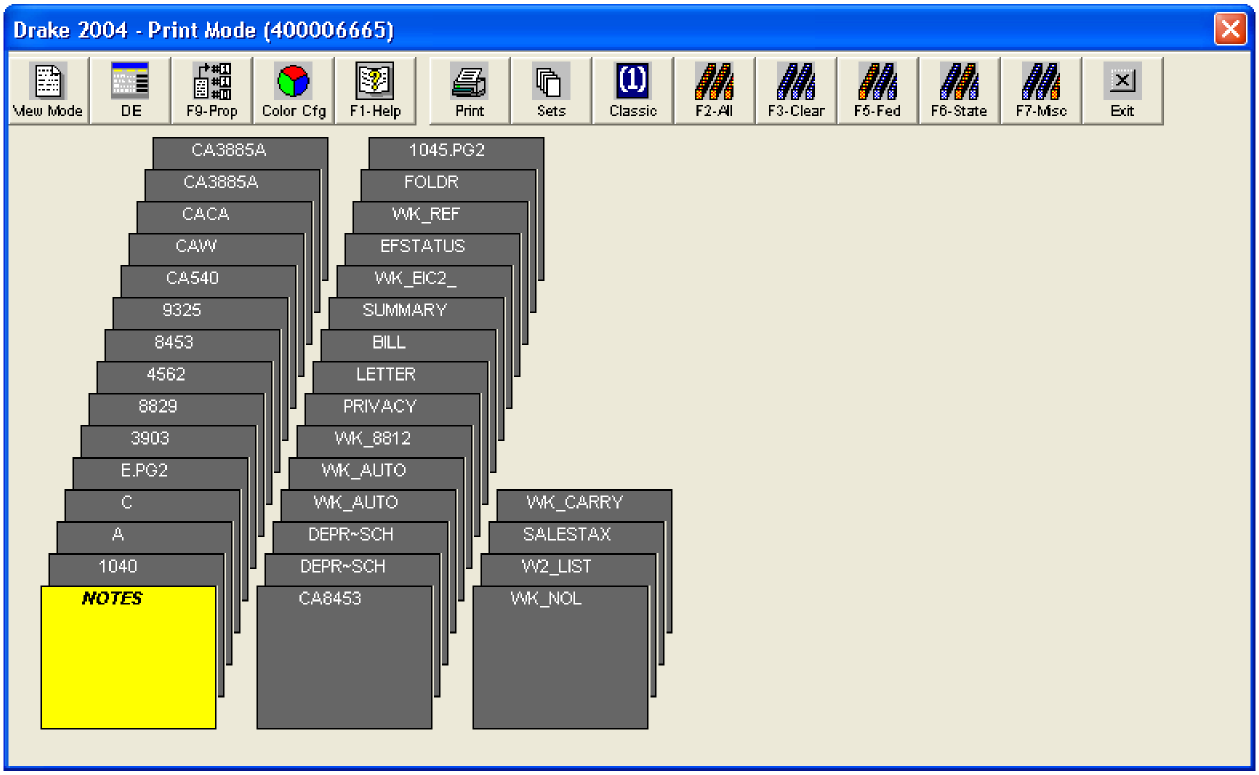
> From the Menu Bar, go to **Setup** > **Options** > **Calculation & View/Print Tab** and select the "Number of Days to Store Print Files."

PRINT

When satisfied with the return, press [CTRL] + [P] to open the "Print Mode" screen (see Figure 46 on page 69). Similar to "View Mode" a list of forms displays. From this point, choose to print single or multiple copies of one or more forms, including the entire return and sets:

- Double-click to select a form.
- Use the up/down arrow keys and [SPACE BAR] to select multiple forms to print. When the desired forms are highlighted, click [PRINT] or press [ENTER].
- Select the appropriate printer and click [PRINT].
- Click [PRINT SETS] to open the "Print Sets" dialog box. Select the sets to print by checking or unchecking the "Print Set" boxes with a mouse click. When the correct sets have been checked, click [PRINT] or press [ALT] + [P].
- Use the Classic Mode check box to select the number of each form to print using the [+] and [-] keys. The number chosen for each form is saved.

Figure 46: Print Mode



Examining Returns

Now that you have completed a return, try entering a few more. In the PDF folder on this CD, open the folder *Data Entry* (if necessary, see “Adobe Acrobat Reader Installation” on page 6 for installation instructions for the PDF Reader). Open and read the file instructions.pdf. This folder contains 12 returns for practice data entry. The solutions are also found in this folder.

Things to note when examining the completed practice returns:

- Additional Child Tax Credit is calculated using Form 8812. Since the software generates the Child Tax Credit automatically, you may need to refer to WK_8812 to examine the calculations used for line 49 of Form 1040 (line 33 of Form 1040A). To view this form, check the Optional Worksheet box in the left column of **Setup > Options > Optional Documents**. The Additional Child Tax Credit is also calculated automatically. Examine Form 8812 to check the calculations for line 65 of Form 1040 (line 42 of Form 1040A).
- There are two forms in *Drake Software* for Earned Income Credit. The calculation is performed automatically. To examine the calculations for line 63 of Form 1040 (line 41 of Form 1040A), view WK_EIC. EIC cannot be generated for a Form 1040EZ. Form 8867 provides a checklist for EIC due diligence. The IRS examines these forms during audits. Complete and save Form 8867 for each taxpayer qualifying for EIC.
- To qualify for Child Care Credit, both parents must have earned income, be full-time students or disabled. In *Drake Software*, fill out the dependent information on screen 2 including any child care expenses and then fill out Form 2441 completely, including child care expenses again.

Review Questions Part 3

Answer the questions below (to answer these questions, you must have completed the practice returns referred to in “Examining Returns” on page 71). See “Answers Part 3” on page 74 for explanations of answers.

1. In return 400008001, why have we calculated a Child Tax Credit of $166?

    a) Examine Form 8812 calculations - line 13 reads $166.

    b) Examine Form 1040 line 49.

    c) Examine WK_8812 lines 1-11.

    d) You cannot tell why from the forms produced.

2. What form must be completed for due diligence and saved for each taxpayer qualifying for EIC?

    a) Form 8812.

    b) Form WK_8812.

    c) WK_EIC.

    d) Form 8867.

3. In return 400008003, why is there an EIC of $1,355?

    a) Examine the calculations on Form 8812.

    b) Examine the calculations on Form 8867.

    c) You cannot tell from a form produced with the software.

    d) Examine WK_EIC.

4. In return 400008003, why is there $2000 of Additional Child Tax Credit and $693 of Child Tax Credit?

    a) Examine Form 8812 and WK_8812.

    b) Examine the EIC Form and WK_EIC.

    c) Examine Form 8812 and Form 8867.

    d) Examine Form 2441 and Form 8812.

5. What two screens in the software must contain the Child Care expenses?

    a) Screen 1 and 2441 Screen.

    b) Screen 2 and 2441 Screen.

    c) Screen 3 and the MISC Screen.

    d) Screen 1 and Screen 2.

ANSWERS PART 3

1. The correct answer is **C, Examine WK_8812 lines 1-11.** View this form to see the Child Tax Credit calculations, resulting in $166.

   A is incorrect. Line 13 of the 8812 reads $409 and is the calculation for the Additional Child Tax Credit.

   B is incorrect. This is the line on the 1040 for the CTC, but it does not show how it is calculated.

   D is incorrect. View the WK-8812 lines 1-11 to examine the calculations.

2. The correct answer is **D, Form 8867.** The Preparer's Earned Income Checklist must be completed for due diligence and saved for each taxpayer qualifying for EIC.

   A is incorrect. Examine the 8812 for the Additional Child Tax Credit calculations.

   B is incorrect. Examine the WK_8812 for the Child Tax Credit calculations.

   C is incorrect. Examine the WK_EIC for the Earned Income Credit calculations.

3. The correct answer is **D, Examine WK_EIC.** This worksheet shows how EIC was calculated.

   A is incorrect. Examine the 8812 for the Additional Child Tax Credit calculations.

   B is incorrect. The Preparer's Earned Income Checklist only determines EIC eligibility.

   C is incorrect. You can view the WK_EIC to examine the calculations.

4. The correct answer is **A, Examine Form 8812 and WK_8812.** The 8812 calculates the $2000 in Additional Child Tax Credit. The WK_8812 calculates zero on line 15, Child Tax Credit.

   B is incorrect. The EIC form does not display dollar amounts and the WK_EIC calculates the Earned Income Credit.

   C is incorrect. You can view the total Additional Child Tax Credit on the 8812. The 8867 is an EIC eligibility checklist.

   D is incorrect. The 2441 is used to report Child and Dependent Care expenses.

5. The correct answer is **B, Screen 2 and 2441 Screen.** Enter child care expenses on Screen 2, the "**Dependent**" screen and the 2441 Screen, "**Child and Dependent Care Expenses**".

   A is incorrect. Screen 1 is the "**Name and Address**" screen. You would enter Child Care Expenses on the 2441 Screen and the "**Dependent**" screen.

   C is incorrect. Screen 3 is the "**Income**" screen and the MISC screen is used to enter miscellaneous codes and notes.

   D is incorrect. Screen 1 is the "**Name and Address**" screen. You would enter Child Care expenses on Screen 2.

Electronically File the Return

Drake users can electronically file federal tax returns either through *Drake* or directly to an IRS Service Center. State returns can be piggybacked with federal returns, or sent directly to the state, depending on state requirements. The flexibility in EF options that *Drake* offers can be useful when filing a multi-state return, or when the initial State return has been rejected and must be re-filed. Becoming an Electronic Return Originator (ERO) requires some pre-season planning, but it pays off when tax season arrives.

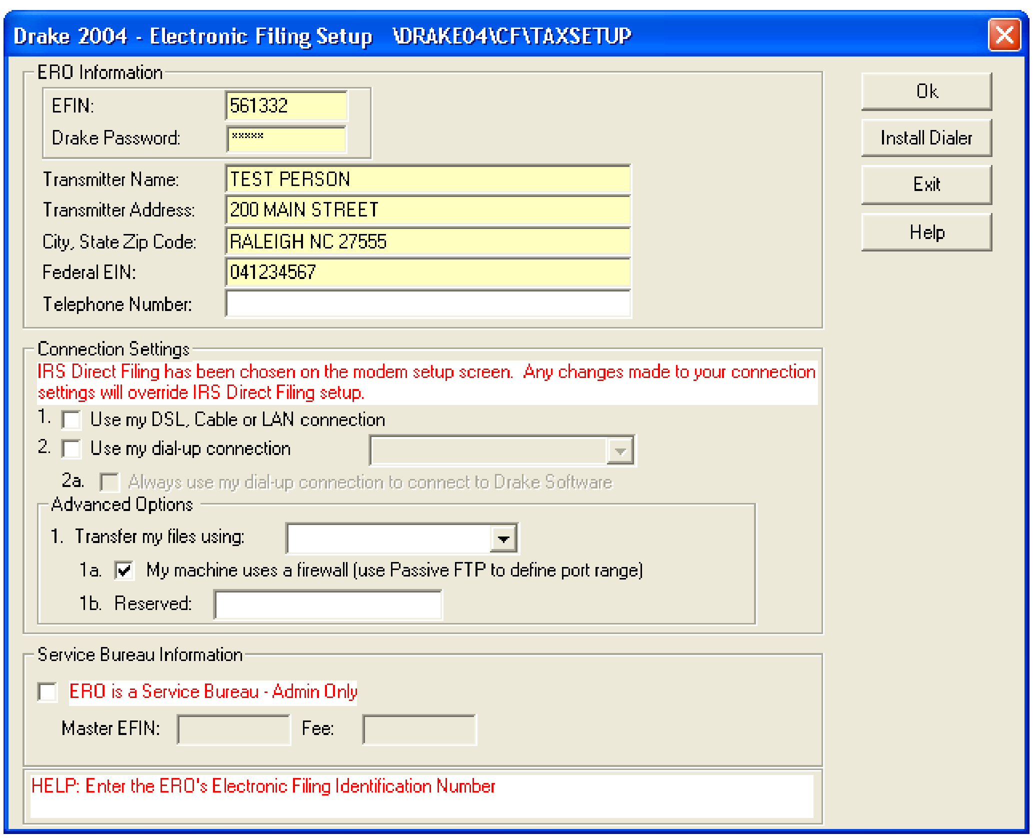
ERO/State ERO Setup

The temporary EFIN assigned by *Drake* does not enable electronic filing, but allows system testing. Preparers who are new to E-filing must apply to the IRS for an EFIN.

ERO information MUST be entered before attempting to electronically file live returns.

1. On the Menu Bar, go to **Setup** > **ERO** (see Figure 47 below).

Figure 47: **Setup > ERO**



2. Enter or edit the information. The yellow fields indicate required data.
3. Click [OK] or press [ESC] to save and exit.

If the preparer is filing through *Drake* and has returns for more than one IRS Service Center, all the returns can be filed in the same batch without changing the processing site. *Drake* separates the returns and sends them to the correct IRS Service Center.

> Returns with bank products, multiple-state returns to different IRS Service Centers, and Direct State returns must be E-filed through *Drake*.

To apply to the IRS to become an ERO, file form 8633. (This form can be found online at irs.gov or in the software: **Tools > Blank Forms > Select 1040 > 8633 and 8633.PG2**). Mail this completed form with a fingerprint card to the Internal Revenue Service; Andover Campus; Attention EFU Acceptance; Testing Stop 983; PO Box 4099; Woburn, MA 01888-4099. Call the IRS, 1.866.255.0654 or *Drake Support*, 1.828.524.8020 to obtain a Fingerprint Card.

In addition, some states require the IRS acceptance letter or a special application before you can electronically file to their state. Please refer to the chart below for state application requirements.

The taxpayer does not sign the bottom of page 2 of the 1040 when electronically filing the return. The signature page for electronic filing is either the 8879 to send an electronic signature or the 8453, which must be mailed to the applicable IRS Service Center within 3 business days after the ERO has received acknowledgment from the IRS that the return has been accepted. The 8879 must be signed by the taxpayer BEFORE the electronic return is transmitted and then is retained in the tax preparer's office for three years.

If the PIN screen is completed within the software, Form 8879 is produced when electronically filing, otherwise Form 8453 is produced. To complete the PIN screen, the taxpayer and spouse must choose a 5-digit number to serve as their signature. This may be entered by the preparer. The preparer must also enter a 5-digit number on the PIN screen. This number is self-selected but must be used for the entire season.

STATE E-FILING

Each state has its own application requirements for Electronic Return Originators (ERO) and users of bank products. Refer to the following table to determine if a state application is needed to electronically file returns to that state, or if an application is required to offer bank products.

State	State EF Application Required	Bank Products/Applications Required	EF Center
Alabama	All EROs are automatically accepted.		Memphis
Alaska	No tax		Philadelphia
Arizona	EROs must send a copy of IRS application and/or acceptance letter.		Philadelphia
Arkansas	All EROs are automatically accepted.		Memphis
California	EROs must complete state application.	Yes	Philadelphia
Colorado	All EROs are automatically accepted.		Philadelphia
Connecticut	All EROs are automatically accepted.		Andover
Delaware	All EROs are automatically accepted.		Andover

State	State EF Application Required	Bank Products/Applications Required	EF Center
DC	All EROs are automatically accepted.		Andover
Florida	No tax		Kansas City
Georgia	All EROs are automatically accepted.		Memphis
Hawaii	All EROs are automatically accepted.		Philadelphia
Idaho	EROs must send a copy of IRS application and/or acceptance letter.		Philadelphia
Illinois	EROs must complete state application.	Yes	Austin
Indiana	All EROs are automatically accepted.		Kansas City
Iowa	All EROs are automatically accepted.		Austin
Kansas	All EROs are automatically accepted.		Austin
Kentucky	All EROs are automatically accepted.		Kansas City
Louisiana	EROs must send a copy of IRS application and/or acceptance letter.	Yes Call 225-922-0366 for more information.	Memphis
Maine	All EROs are automatically accepted.		Andover
Maryland	All EROs are automatically accepted.		Andover
Massachusetts	EROs must complete state application.	Yes	Andover
Michigan	EROs must complete state application.	Yes	Kansas City
Minnesota	All EROs are automatically accepted.		Austin
Mississippi	All EROs are automatically accepted.	Yes	Memphis
Missouri	All EROs are automatically accepted.		Austin
Montana	All EROs are automatically accepted.		Philadelphia
Nebraska	Acceptance is automatic with Federal acceptance.		Philadelphia
Nevada	No tax		Philadelphia
New Hampshire	No tax		Andover
New Jersey	All EROs are automatically accepted.		Andover
New Mexico	All EROs are automatically accepted.		Austin
New York	State no longer requires a separate application to e-file, if you are accepted by the IRS you are accepted by the state.	Yes	Andover
North Carolina	Special application is no longer required.		Memphis
North Dakota	EROs must complete state application	Yes	Philadelphia
Ohio	All EROs are automatically accepted.		Kansas City
Oklahoma	All EROs are automatically accepted.		Austin
Oregon	All EROs are automatically accepted.	Yes Call 503-378-4140 for more information.	Philadelphia

State	State EF Application Required	Bank Products/Applications Required	EF Center
Pennsylvania	EROs must send a copy of IRS application and/or acceptance letter.		Andover
Rhode Island	All EROs are automatically accepted.		Andover
South Carolina	All EROs are automatically accepted.		Kansas City
South Dakota	No tax		Philadelphia
Tennessee	No tax		Memphis
Texas	No tax		Austin
Utah	EROs must send a copy of IRS application and/or acceptance letter.		Austin
Vermont	All EROs are automatically accepted.		Andover
Virginia	All EROs are automatically accepted.		Andover
Washington	No tax		Philadelphia
West Virginia	EROs must send a copy of IRS application and/or acceptance letter.		Kansas City
Wisconsin	EROs must send a copy of IRS application and/or acceptance letter.		Austin
Wyoming	No tax		Philadelphia

EF Options in Data Entry

In Data Entry, the “**EF**” screen overrides items entered in **Setup > Options**. Use this screen to send the federal alone, or a state in any of the following ways:

- **Direct State** returns are sent directly from *Drake* to the state e-file service center. Only a few states require direct filing (CA, IL, MA, ME, MN).
- **State Only** packets can be sent at the same time the federal return is sent. Unlike Piggyback returns, State Only packets are reviewed by the state, regardless of IRS acknowledgement.
- **Piggyback** state returns are sent with the federal return to the IRS. If the federal return is rejected, the state return is not sent.

A total of five states may be sent electronically each year per SSN. Only one Piggyback state is allowed.

In Data Entry, type [EF] in the selector field to access the “**EF Override**” screen. The program automatically sends the federal and piggyback state, unless an override is entered on this screen. Enter [X] to select which federal forms to send. Enter the two digit state code to be sent piggyback, state only or direct.

Some states have established mandates. This year, California, Minnesota, Michigan and Oklahoma have published electronic filing mandates. These are explained in Taxing Subjects, January 2004, Issue 13 (www.taxingsubjects.com) as well as documented on our support site in the Knowledgebase.

MESSAGES PAGES

When you view a return, a red MESSAGES page may be present. These pages are created when a return has certain issues that would cause an IRS/State Rejection. Each page lists the error code and a brief description to help you resolve the issue. When these issues are resolved, the return is ready for electronic filing. You cannot select a return for electronic filing with a red MESSAGES page.

Similarly, the yellow NOTES page provides reminders or tips about the tax return. Please read the NOTES pages for pertinent information, but the appearance of this page does not prevent electronic filing.

For example, examine the practice return you entered during "Return Preparation" on page 35. Click [OPEN] from the toolbar and enter 400-00-6666 in the "SSN" field, without dashes. Click [OK] and then press [CTRL] + [V] to view the return. Double-click with your mouse to view the red CA MESSAGES page.

The complete California return is prepared except for the California Child Care. The CA MESSAGES page informs you of all of the criteria necessary to complete the credit. Most of this information has been entered on the 2441 and screen 2 of the federal return. You must, however, enter the telephone number for the child care provider. Notice that the MESSAGES page tells you to use the CA 3506 screen. Type CA in the return selector field to enter the California-specific data. Type 3506 and enter a telephone number for the child care provider in the appropriate field. Now when you view the return it is ready to electronically file to the IRS and to California. The MESSAGES page has disappeared.

All the states operate in a similar manner.

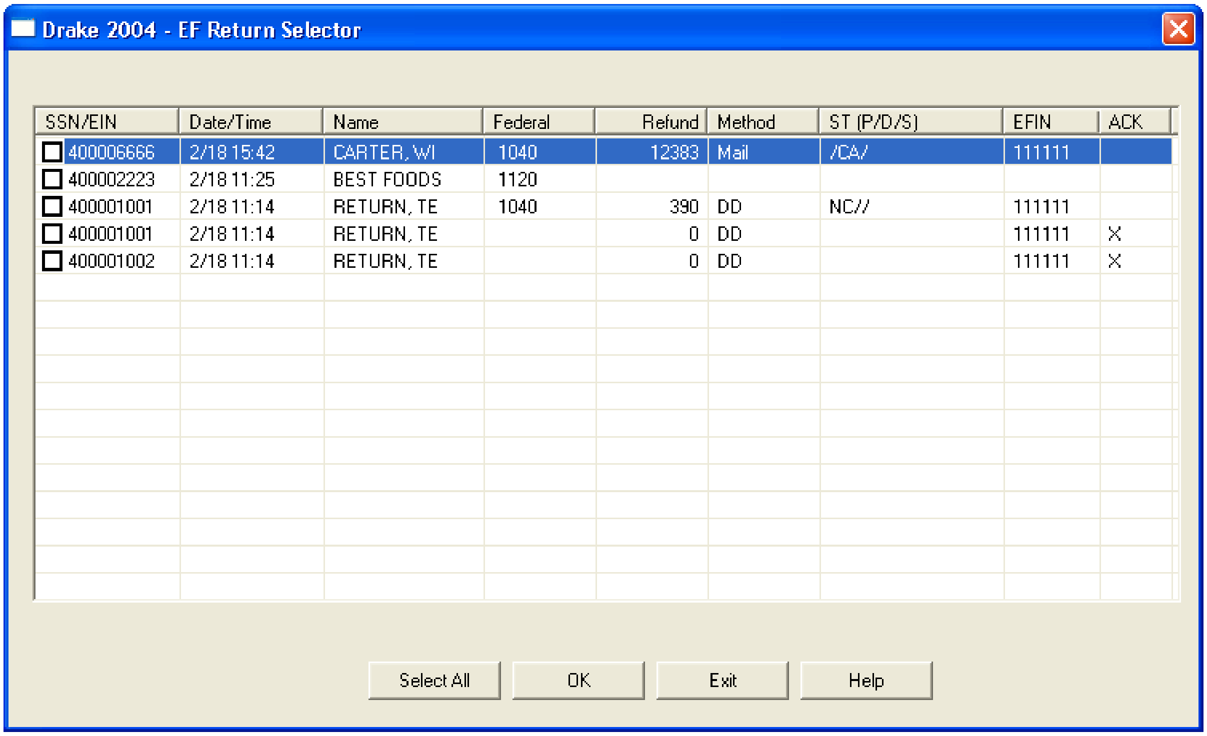
THE EF MENU

SELECT RETURNS FOR EF

After the return has been created and calculated without a MESSAGES page, it is ready for EF. From the Menu Bar, go to **EF > Select Returns for EF.**

1. The "**Return Selector**" screen displays (see Figure 48 on page 80). A selection window opens, listing all recently calculated files that are eligible for electronic filing. Use the arrow keys to scroll through the list of returns.
2. Click the check box to select or deselect the desired returns.
3. After selecting the returns, click [CONTINUE]. A report opens listing all returns included in the transmission. Select the [PRINT] option to print the report. Click [EXIT] to close.

Figure 48: EF Return Selector



Transmit/Receive

Transmitting tax returns and receiving acknowledgments is a simple process. With just a few clicks, you are able to electronically file returns to the IRS and state.

All returns transmitted through *Drake* are forwarded to the correct IRS Service Center. An immediate acknowledgement (P) is sent to indicate a successful transmission. After the IRS and/or the state receive and process the forwarded return, acknowledgements are sent to *Drake*, indicating whether the return was accepted (A) or rejected (R). The acknowledgements are then forwarded to the ERO the next time a connection is made to *Drake*.

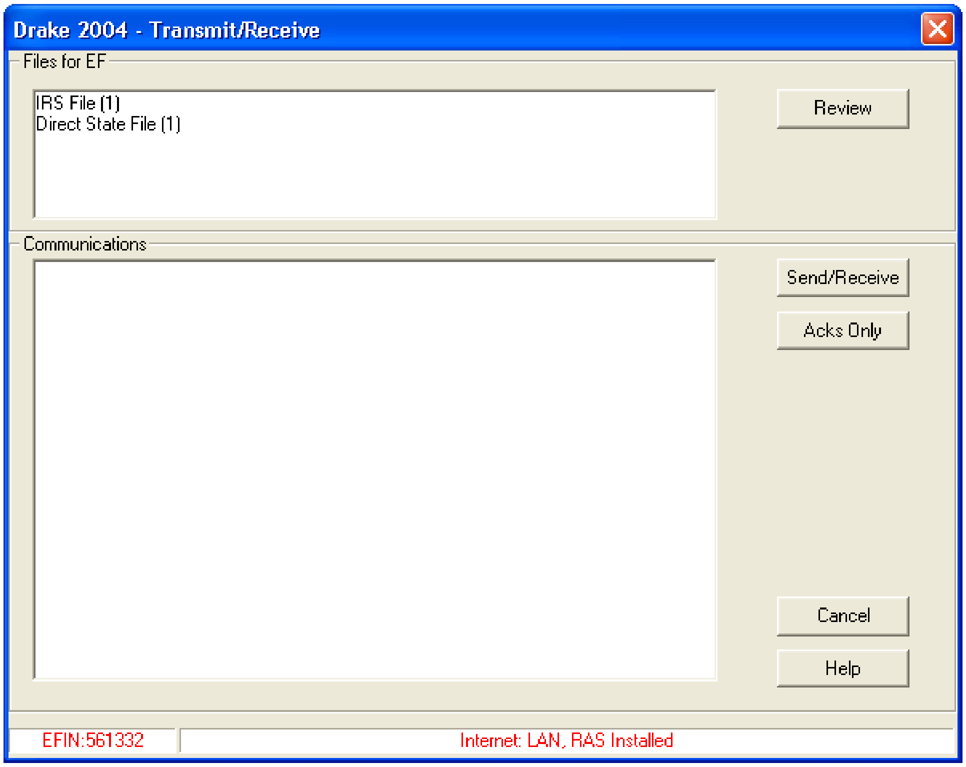
Although you have the option of transmitting directly to the IRS, *Drake* users are encouraged to transmit returns through *Drake*. There are two advantages to this option:

- The ability to send all returns in a single transmission - IRS, Piggyback, State Only and State Direct.
- *Drake* support is easily accessible. Our trained support personnel can access returns for troubleshooting.

Begin the Transmission

1. Select **EF > Transmit/Receive** on the Menu Bar.
2. The Transmit/Receive screen opens (see Figure 49 on page 81), providing five possible options: Review, Send/Receive, Acks Only, Cancel and Help

Figure 49: Transmit/Receive Window



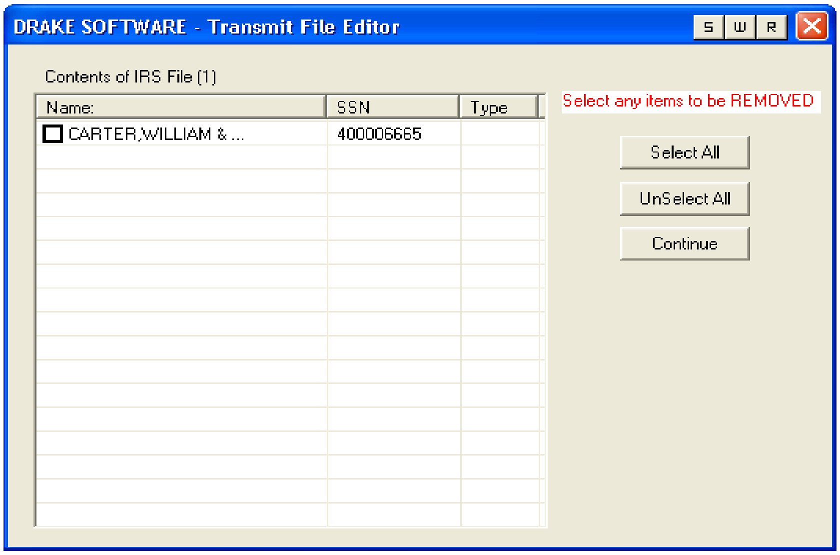
Review

Use this option to review the transmission file and remove any returns before connecting to *Drake.*

> The returns that are selected and highlighted will NOT transmit. Therefore, do NOT select a return that you wish to transmit.

1. To review the manifest, click [REVIEW] (see Figure 50 on page 82).
2. To select all, click [SELECT ALL]. All returns are highlighted; these will be removed from the transmission file.To deselect all, click [DESELECT ALL]. For single returns, click to select or deselect returns.
3. Click [CONTINUE].

Figure 50: Review Screen



Send/Receive

Use this option to connect and transmit the file, and to pick up federal and state acknowledgments, bank product acknowledgments and check authorizations.

1. Click [SEND/RECEIVE] to continue.
2. The Declaration Control Record opens. Click [PRINT].
3. Click [CONTINUE].
4. The program connects and completes the transmission and automatically disconnects from *Drake* after the transmission is complete.

Acks Only

Use this option to pick up federal and state acknowledgements, bank product acknowledgements and check authorizations. No files are transmitted to *Drake*.

1. Click [ACKS ONLY] to continue.
2. The program connects and retrieves the acknowledgements.
3. The program automatically disconnects from *Drake* after the transmission is complete.

TEST TRANSMISSIONS

Before attempting to transmit any actual tax returns, it is recommended that EROs first transmit test returns.

> ▼ **CAUTION!** ▼
>
> Do NOT transmit any test returns that contain social security numbers other than those in the 400-00 and 500-00 series included in the software. Any other returns are processed as actual tax returns and the ERO could be charged with filing fraudulent tax returns.

Test Transmit Through Drake

1. A preparer with a new IRS EFIN must contact *Drake Accounting* to update his/her client information. Call 828-349-5900.
2. Go to **SETUP** on the Menu Bar, and complete the following screens:
   - "Firm Information"
   - "Preparer"
   - "ERO/State ERO Information"— Make sure the current year password is correct (from the *Drake* packing slip). Clients evaluating *Drake* may call 828-349-5900 to obtain a password.
3. Open and calculate the first five test returns provided in the software (400-00-1001 through 400-00-1005). View the returns for "Messages." If there is a message, correct the error before calculating the return again.
4. Select **EF > Select Returns for EF** on the Menu Bar. Choose the test returns to transmit.
5. Transmit the file to *Drake* by selecting **EF > Transmit/Receive** on the Menu Bar. *Drake* posts test acknowledgements (T) when the transmission is received.
6. Select **EF > Process Acks** on the Menu Bar. Print the acknowledgements, if desired. See "Process Acknowledgements" below.

Test transmissions through *Drake* do not receive an additional IRS acknowledgement. The "T" acknowledgement indicates the transmission was successful.

Process Acknowledgements

Every successfully transmitted tax return receives an acknowledgement. EROs transmitting through *Drake* receive:

- Processed acknowledgements to indicate the transmission was received:

  (T) for test transmissions

  (P) for live transmissions
- Federal acceptance or rejection acknowledgements.
- State acceptance or rejection acknowledgements (when a state return is electronically filed).
- Bank acknowledgements to indicate when a bank product has been accepted or rejected.

Any available acknowledgements are received when the ERO connects to *Drake*, whether transmitting files or not. To process and print acknowledgements, select **EF > Process Acks** on the Menu Bar.

The acknowledgement report displays:

- Social Security Number of primary taxpayer
- Document Control Number (DCN) of the transmitted return
- Refund due on the return
- Acceptance/rejection code
- Number of errors recorded
- Two-letter state code for the state return

When the acknowledgements are processed, they move to the EF Database for future reference. The EF Reports utility can pull information from this database.

SEARCH EF DATABASE

The EF database contains information about all returns that have been electronically filed. A return that has been filed more than once has more than one record.

OPEN A RECORD IN THE EF DATABASE

1. Select **EF > Search EF Database** on the Menu Bar.
2. Type the SSN of the primary taxpayer (without spaces, dashes, or additional characters).
3. Press [ENTER], or click [OK] in Windows.
4. Use [PAGE UP] and [PAGE DOWN] to access additional records for a taxpayer.

The Main screen of the record opens. There are six separate screens available for viewing, with the following information on each screen:

1. **"Main"** screen [F1]
    - Taxpayer information
    - Federal and state acknowledgement codes
    - Acknowledgement dates
    - Transaction date
    - Filing status
    - Refund amount or balance due
    - Reject codes
    - Bank codes and loan status
    - Bank check information
2. **"Bank/DD Info"** [F2]
    - Detailed loan information
    - Direct deposit information
    - Document Control Number
3. **"Fees/Errors/Miscellaneous"** [F3]
    - Earned Income Credit (EIC)
    - Adjusted Gross Income (AGI)
    - PINs, firm number, preparer number, ERO number
    - Bank distribution fees
4. **"Reject"** [F4] – Enter and view the reject code description and solution.
5. **"DE"** [F5] – Open the first screen of return data entry for the SSN/EIN displayed.
6. "**Search EF**" [F9] – Go back to Search EF Database while in the return.
7. **"WEB"** [F10]
    - Connect to "Your online EF Database" to check the most current information available from the Service Centers.
    - View pending Bank, State and Federal Information about one or multiple clients.
    - View reports of your EF information for the current tax season.

Review Questions Part 4

Answer the following questions. See “Answers Part 4” on page 86 for explanations of answers.

1. To become an ERO, which of the following is NOT true.

    a) Contact the IRS at 1.866.255.0654 and ask to be added to the ERO list.

    b) Request and complete a fingerprint card.

    c) Send a completed 8633 to the IRS.

    d) Send the fingerprint card to the IRS.

2. To electronically file returns to the state of Wisconsin what must an ERO do?

    a) Nothing.

    b) Fill out the Wisconsin application and submit to the state.

    c) Send the ERO acceptance letter from the IRS to the state of Wisconsin.

    d) Call the Wisconsin DOR and request to be placed on their ERO approved list.

3. True or False:

    When a PIN screen is completed, a Form 8879 is generated and signed by all parties and sent to the applicable IRS Service Center within three business days of the IRS acknowledgement.

4. If a return is electronically filed without a PIN what must happen?

    a) You cannot electronically file a return without a PIN.

    b) A third party designee must be chosen.

    c) A Form 8453 is produced, signed and sent to the applicable IRS Service Center within three business days of the IRS acceptance.

    d) A Form 8453 is produced that must be signed and kept in the business office for one year.

5. If a state return is sent as a “piggyback” with the federal return, what happens to that state return if the IRS rejects the federal return?

    a) The “piggyback” state return goes on to the state and is rejected by the state.

    b) The “piggyback” return goes on to the state and is accepted by the state.

    c) You cannot send a state return with a federal return. They must all be sent directly to the state DOR.

    d) The “piggyback” return is not processed and may be sent again with the corrected federal return.

ANSWERS PART 4

1. The correct answer is **A, Contact the IRS at 1.866.255.0654 and ask to be added to the ERO list.** This statement is false because a taxpayer must fill out an 8633 ERO Application and fingerprint card and submit it to the IRS to be considered.

   B is incorrect. This statement is true. Call the IRS or *Drake Support* to request a fingerprint card.

   C is incorrect. This statement is true. Print an 8633 from **Tools > Blank Forms > Select 1040 > 8633 and 8633.PG2.**

   D is incorrect. This statement is true. Send a fingerprint card along with the completed 8633 to the IRS to apply.

2. The correct answer is **C, Send the ERO acceptance letter from the IRS to the state of Wisconsin.** Wisconsin does not have it's own state-specific ERO application.

   A is incorrect. You must send the ERO acceptance letter from the IRS to Wisconsin.

   B is incorrect. Wisconsin does not have its own state-specific ERO application.

   D is incorrect. You must send Wisconsin the ERO acceptance letter from the IRS. A phone call is insufficient.

3. The correct answer is **FALSE. When a PIN screen is completed, a Form 8879 is generated and signed by all parties and sent to the applicable IRS Service Center within three business days of the IRS acknowledgement** is a false statement. It is not necessary to mail the 8879 to the IRS Service Center. It must be retained by the tax preparer for three years.

   TRUE is incorrect. This is not a true statement. For this statement to be true, it would state that Form *8453* is sent to the applicable IRS Service Center within three business days of the IRS acknowledgement.

4. The correct answer is **C, A Form 8453 is produced, signed and sent to the applicable IRS Service Center within three business days of the IRS acceptance.** When e-filing a return, if an 8879 is not produced, an 8453 must be used.

   A is incorrect. You can e-file a return with an 8453 without a PIN. The 8453 must be sent to the IRS within three business days of the receipt of an acknowledgement from the IRS.

   B is incorrect. A third-party designee is not a necessity when filing an 8453. A third party designee allows a third party to discuss the return with the IRS.

   D is incorrect. If a PIN is provided, a Form 8879 is produced and must be signed and kept in the tax preparer's office for three years.

5. The correct answer is **D, The "piggyback" return is not processed and may be sent again with the corrected federal return.** If the return is rejected, it does not go on to the state.

   A is incorrect. The state return is not processed. It does not go on to the state.

   B is incorrect. The state return is not sent on to the state.

   C is incorrect. Many state returns can be sent with the federal return as "piggyback" or "state only". Illinois, New York, California, Massachusetts, Maine and Minnesota may be sent directly to the state.

Business Return

Prepare the 1120 Evaluation Return

To begin entering data in the Corporation Evaluation return, you need to create a new client.

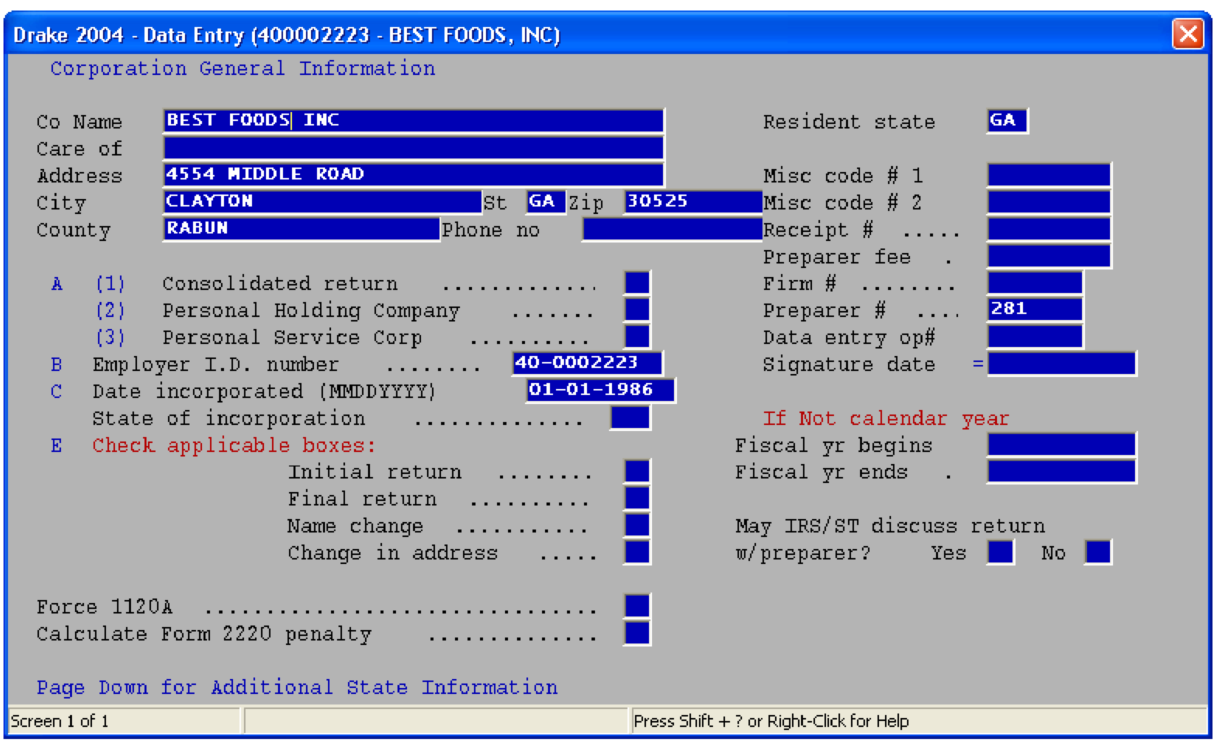
1. From the **toolbar**, click [OPEN].
2. In the available field, type the following EIN for our Evaluation Return: **40-0002222** and click [OK] (to view the completed return, open 40-0002223).
3. Click [YES] to create a new return.
4. Select the return **TYPE.** In this case, select "C Corp" and press [OK]. Screen "1" opens.

Screen 1, Corporation General Information

The Corporation Evaluation client is Best Foods, Inc., which was incorporated in GA on 01-01-1986. The calendar year for the corporation ends 12-31-2004. Type all numbers without dashes (unless the number is negative), slashes, dollar signs or commas. Enter the following fields and press [ESC].

Fields	Data
Address	4554 Middle Road
Zip	30525

Figure 51: 1120 Corporate General Information, screen **"1"**.

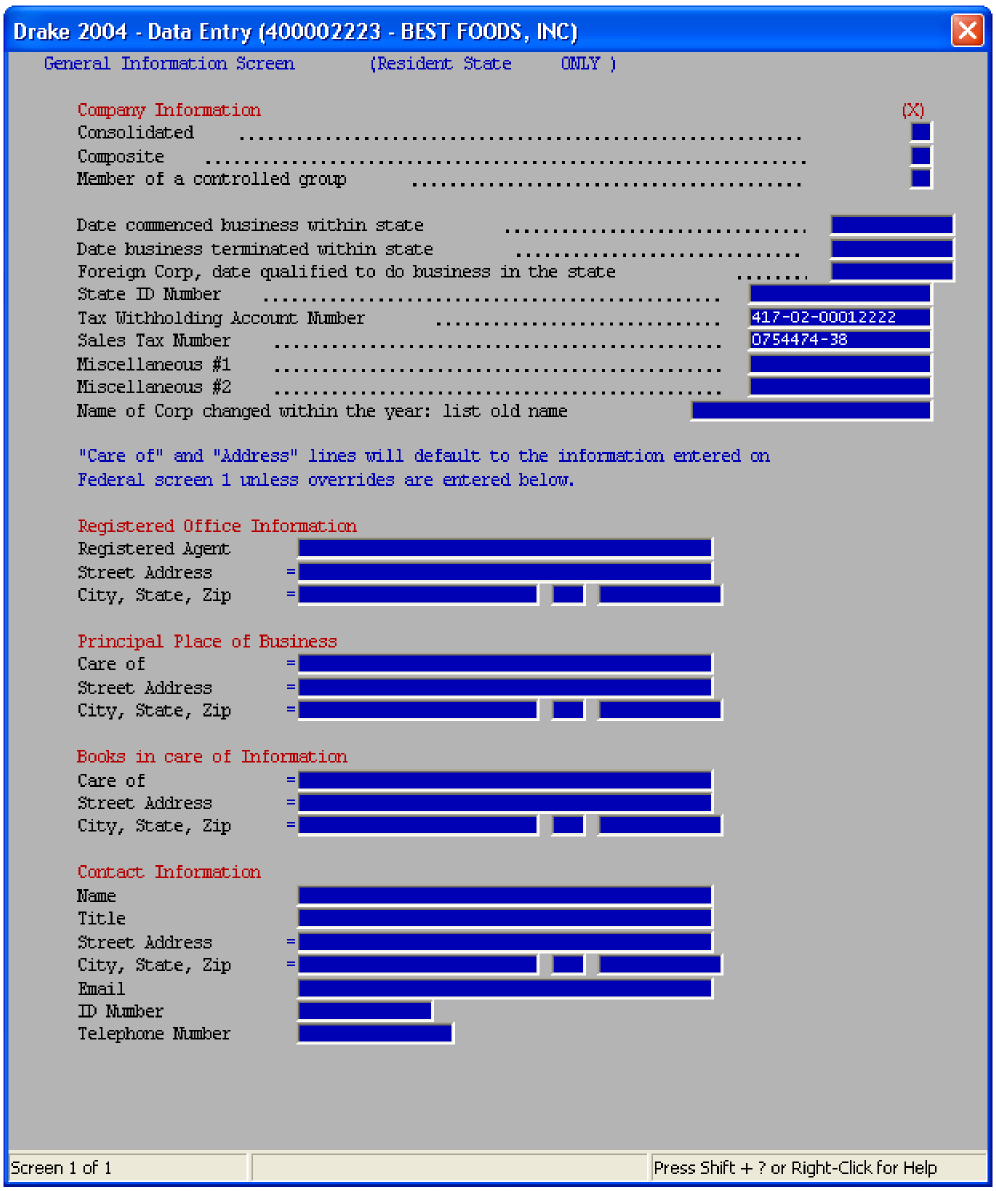


Screen 2, State General Information

Enter the following data on “Screen 2” and press [ESC] when finished.

Tax W/H Acct #	417-02-00012222
Sales Tax #	0754474-38

Figure 52: General Information, screen **“2”**

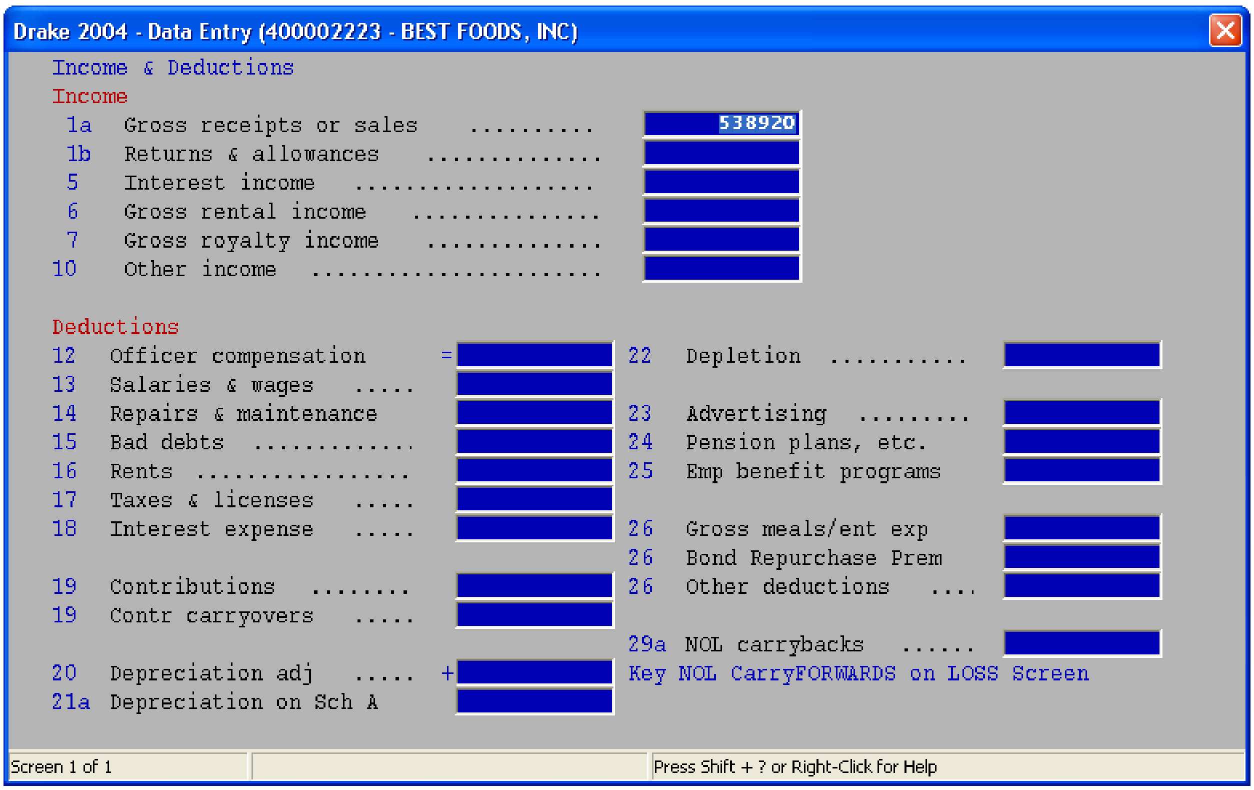


Screen 3, Income & Deductions

Fields	Data
Gross Receipts or Sales	538920

Enter the above data on screen **“3”** and press [ESC] when finished (see Figure 53 below).

Figure 53: Income and Deductions, screen **“3”**



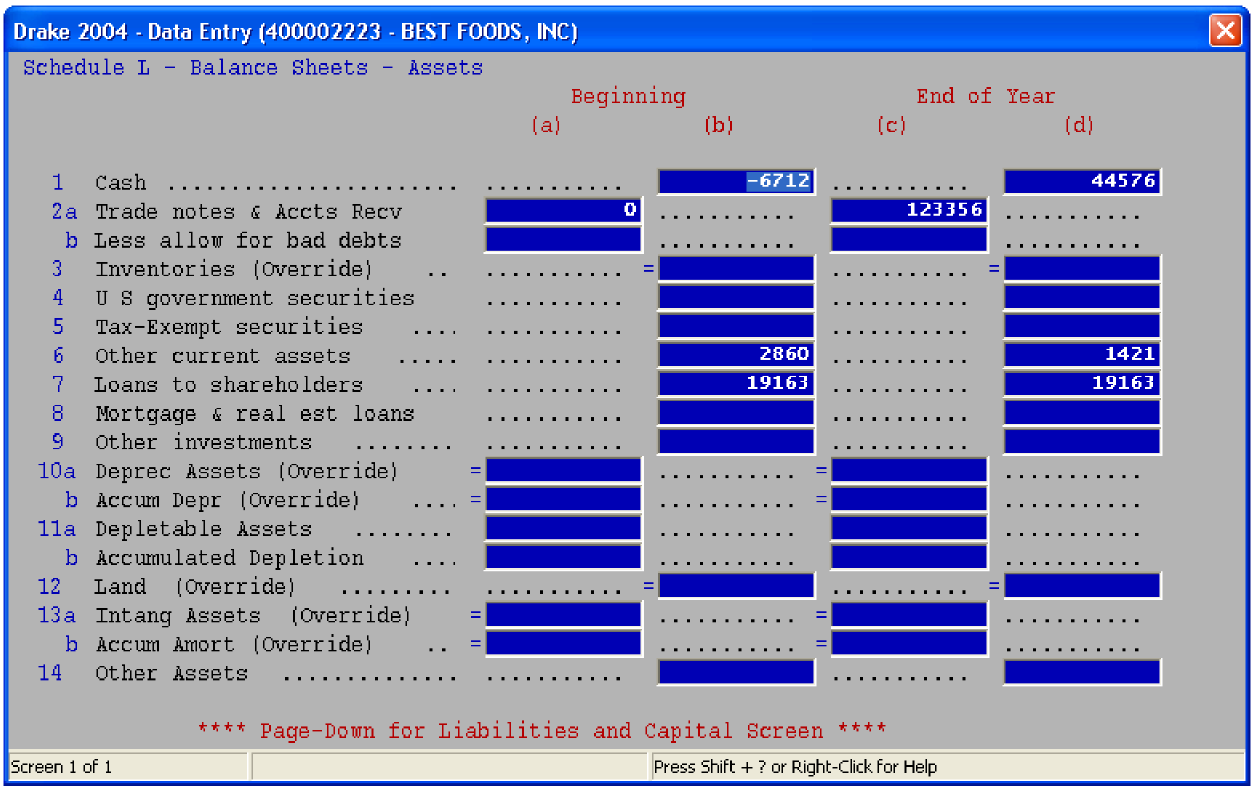
Schedule L – Balance Sheets – Assets

Type ‘L’ and press [ENTER] to access the Schedule L (see Figure 54 on page 90). Enter the following data and press [ESC]. Press [PAGE DOWN] to access more of the screen or to access a new screen.

Fields	Beginning (a)	Beginning (b)	End of Year (c)	End of Year (d)
Cash		-6712		44576
Trade Notes & Accounts Receivable	0		123,356	
Other current assets		2860		1421
Loans to shareholders		19163		19163

Fields	Beginning (a)	Beginning (b)	End of Year (c)	End of Year (d)
Payable less than 1 year		2200		2200
Capital Stock: Common	15000		15000	
Retained Earnings - unappropriated		103131		269043
Less cost of Treasury Stock		56375		56375

Figure 54: Schedule L - Balance Sheets, **“L”** screen



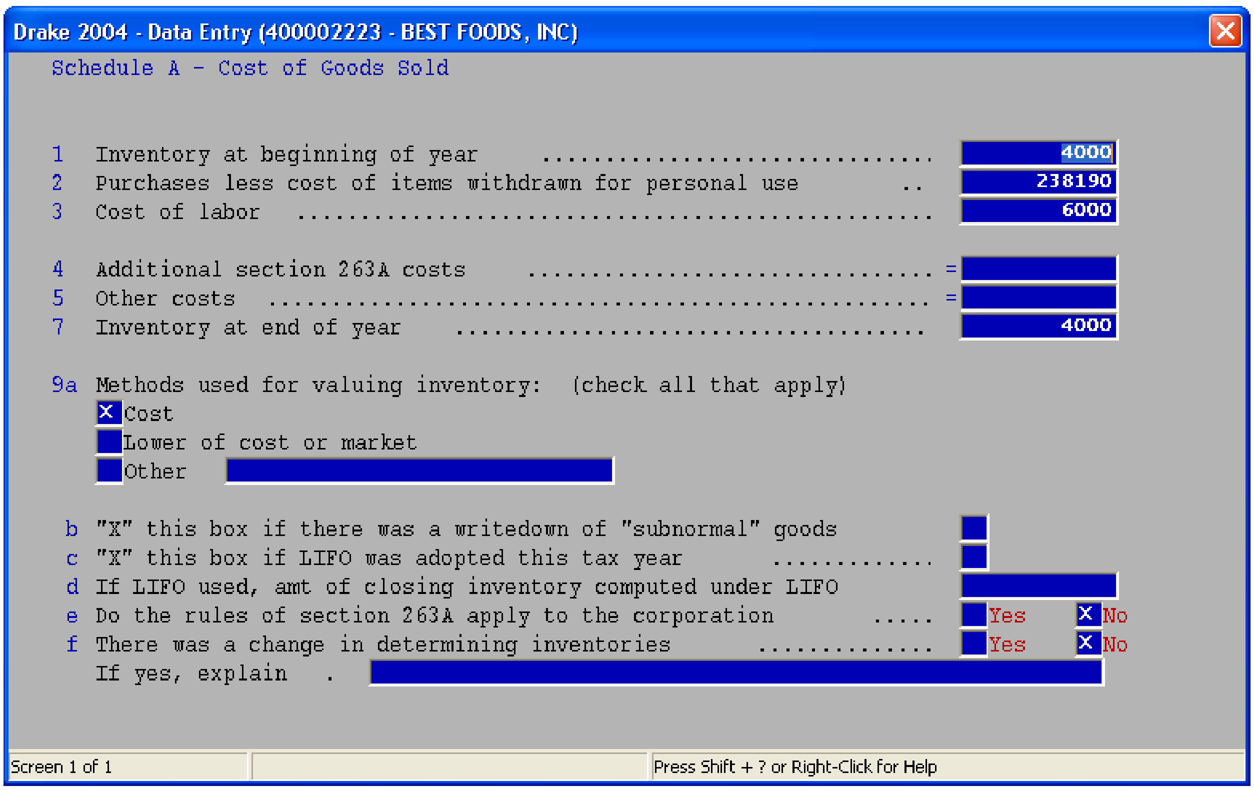
SCHEDULE A – COST OF GOODS SOLD

Type ‘A’ and press [ENTER]. Enter the following data and press [ESC] when finished (see Figure 55 on page 91).

Fields	Data
Inventory at the beginning of the year	4000
Purchases less cost of items withdrawn for personal use	238190
Cost of labor	6000

Fields	Data
Inventory at end of year	4000
Methods Used for Valuing Inventory	Cost
Do the rules of section 263A apply to the corporation	No
There was a change in determining inventories	No

Figure 55: Schedule A, Cost of Goods Sold, **"A"** screen

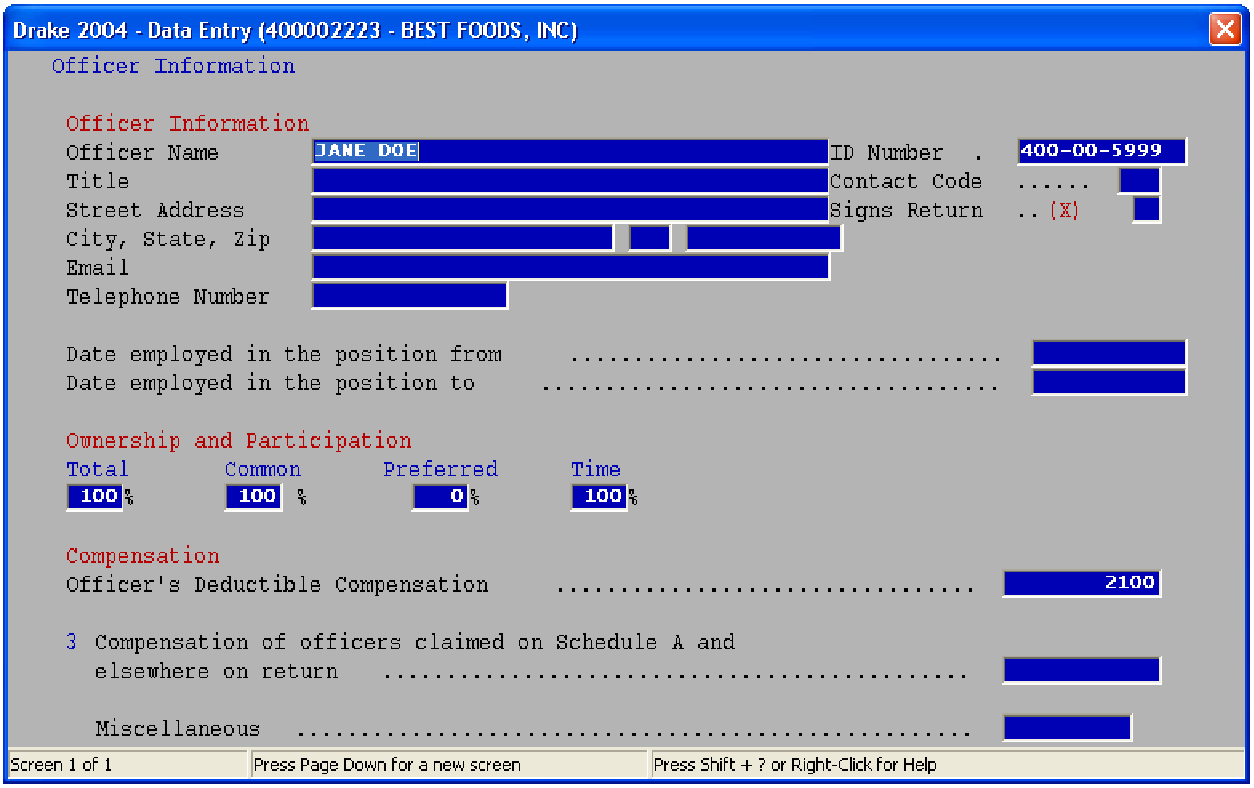


Schedule E – Compensation of Officers

Type 'E' and press [ENTER] to access Schedule E (see Figure 56 on page 92). Enter the following data and press [ESC].

Name of Officer	SSN	Ownership & Participation Time	Percent of Corp Stock Owned		Officer's Deductible Compensation
			Common	Preferred	
Jane Doe	400005999	100	100	0	2100

Figure 56: Officer Information, **“E”** screen



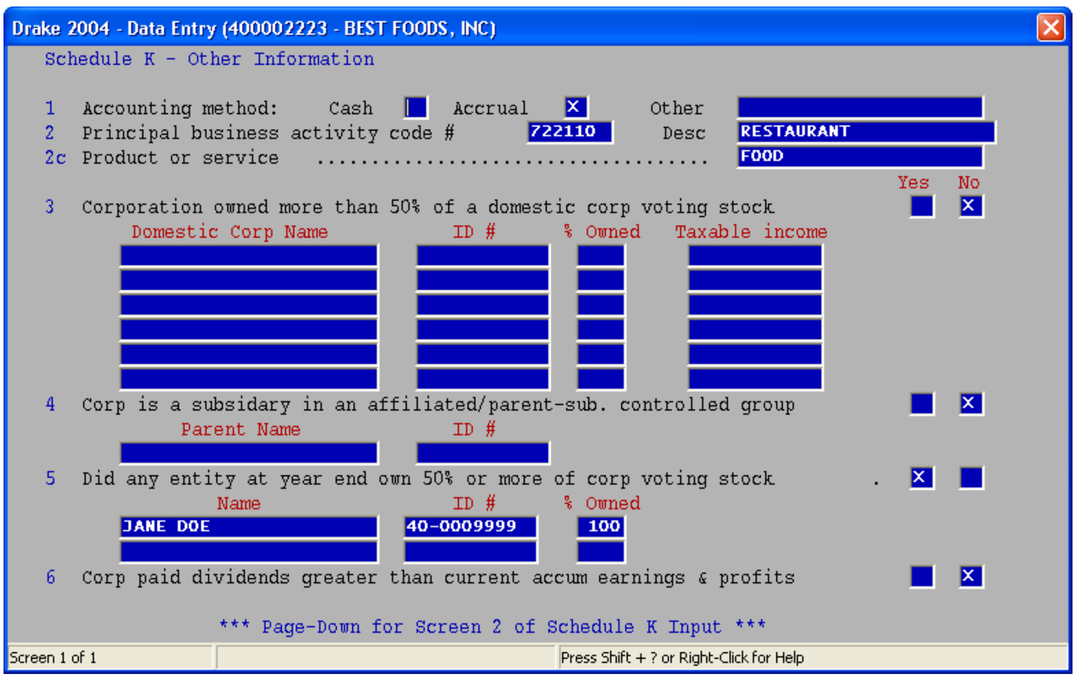
Schedule K – Other Information

Type ‘K’ and press [ENTER] (see Figure 57 on page 93). Enter the following data and press [ESC] to save the screen and exit.

Fields		Data
1	Accounting Method	Accrual
2	Principle Business Code	722110
2c	Description of Product or Service	Restaurant Food
3	Corporation Owned more than 50% of a domestic corp’s voting stock.	No
4	Is corp a sub. in an affiliated/parent-sub controlled group?	No
5	Did any entity at year end own 50% or more of corp voting stock?	Yes
	Name	Robert T Dickson
	ID#	256807327
	Percent Owned	100

Fields		Data
6	Did Corp pay dividends > current accumulated earnings and profits	No
7	Did one foreign person, during the tax year own at least 25%...	No
10	The number of shareholders at the end of the year	2
11	If the corp has an NOL and elects to forego carryback, enter X	X

Figure 57: Schedule K, **"K"** screen



FORM 4562 – DEPRECIATION

The items in the tables below are used 100% for business, so leave that field blank (100% is the default). The date placed in service is 06-04-1986. The cost and depreciation basis are the same amounts. Type '4562' to access the Depreciation screen (see Figure 58 on page 95). Enter the following information and press [ESC] when complete.

Description	Cost	Method	Life	Prior Depreciation	
				Fed	State
Glass Building	8914.90	ARP	19	8914.90	8914.90
Tiling	8150	ARP	19	7652.85	7652.85

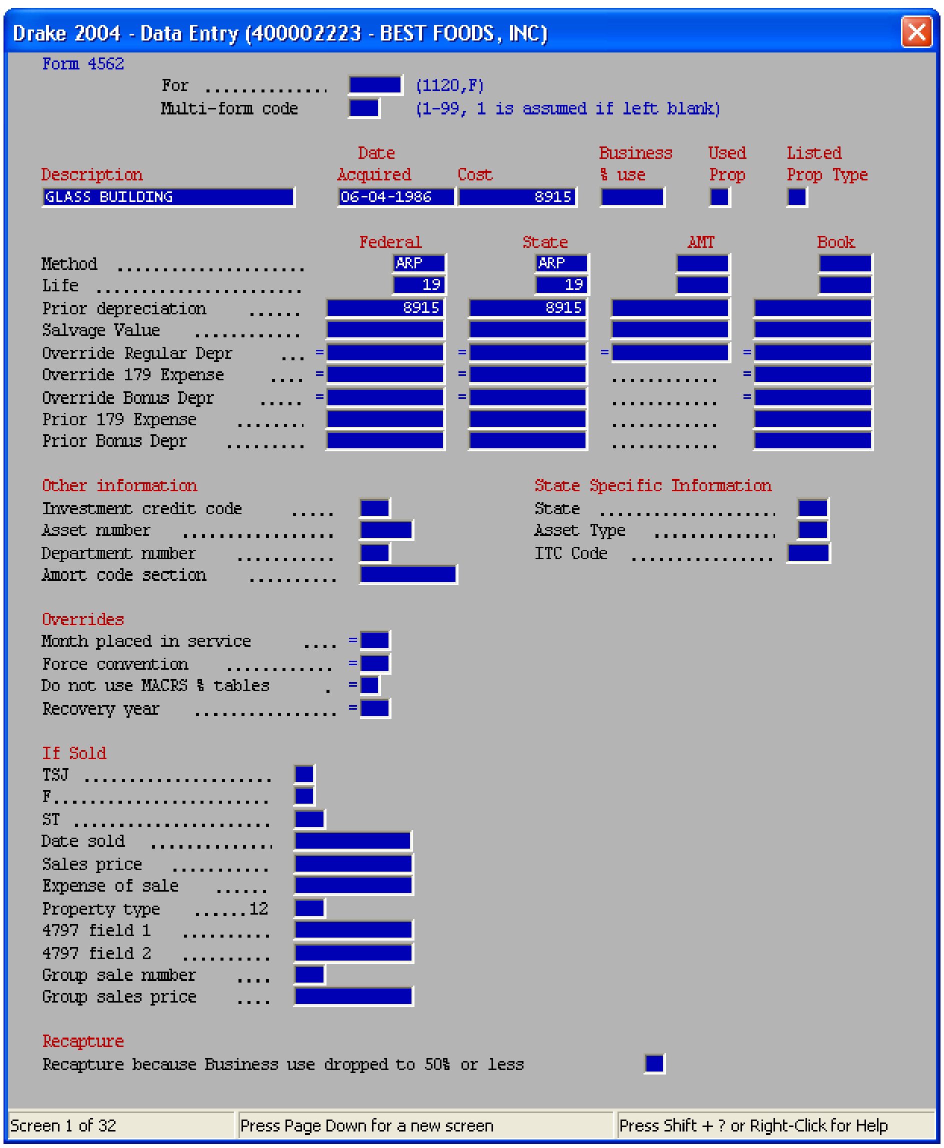
Description	Cost	Method	Life	Prior Depreciation	
				Fed	State
Roofing	6183	ARP	19	5805.84	5805.84
Air Cond	6000	ARP	19	5634.00	5634.00
Leasehold	49682.22	ARP	19	46651.60	46651.60
Leasehold	1330.45	ARP	19	1249.29	1249.29
Gas Range	5000	M	5	5000.00	5000.00
Deep Fry	2984.40	M	5	2984.40	2984.40
Exhaust Fan	4631.12	M	5	4631.12	4631.12
Refrigerator	17058.38	M	5	17058.38	17058.38
Equipment	669.25	M	5	669.25	669.25
Equipment	670.91	M	5	670.91	670.91
Equipment	152.88	M	5	152.88	152.88
Equipment	181.20	M	5	181.20	181.20
Oven	5142.29	M	5	5142.29	5142.29
Equipment	1452.38	M	5	1452.38	1452.38
Cabinets	2553.20	M	5	2553.20	2553.20

Also enter the items below.

Description	Date Acquired	Cost	Method	Life	Prior Depreciation	
					Fed	State
Ice Machine	02281992	2626.00	M	7	2626.00	2626.00
Printer	03211995	2904.40	M	5	2904.40	2904.40
Cash Register	04301995	1865.60	M	5	1865.60	1865.60
Blizzard Machine	06301995	589.89	M	7	589.89	589.89
HVAC Unit	08141998	7171.00	M	7	6210.99	6210.99
Toaster	03301996	716.98	M	5	716.98	716.98
Cash Register	04301996	493.98	M	5	493.98	493.98
HVAC Unit	09151998	5971.00	M	7	5171.00	5171.00
Office Equipment	05311999	404.90	M	5	381.58	381.58

Description	Date Acquired	Cost	Method	Life	Prior Depreciation	
					Fed	State
Misty Mch	02011999	2000.00	M	5	1884.80	1884.80
Computer	06262000	5383	M	5	4452.82	4452.82
Booths	05041989	9089.63	M	5	9089.63	9089.63
Paving	06041989	15695.87	ARP	5	15695.87	15695.87
Franchise	07022001	6000	AMT	15	1000	1000
Ice Maker	11282003	2560	M	7	91.39	91.39

Figure 58: Depreciation Detail, **"4562"** screen

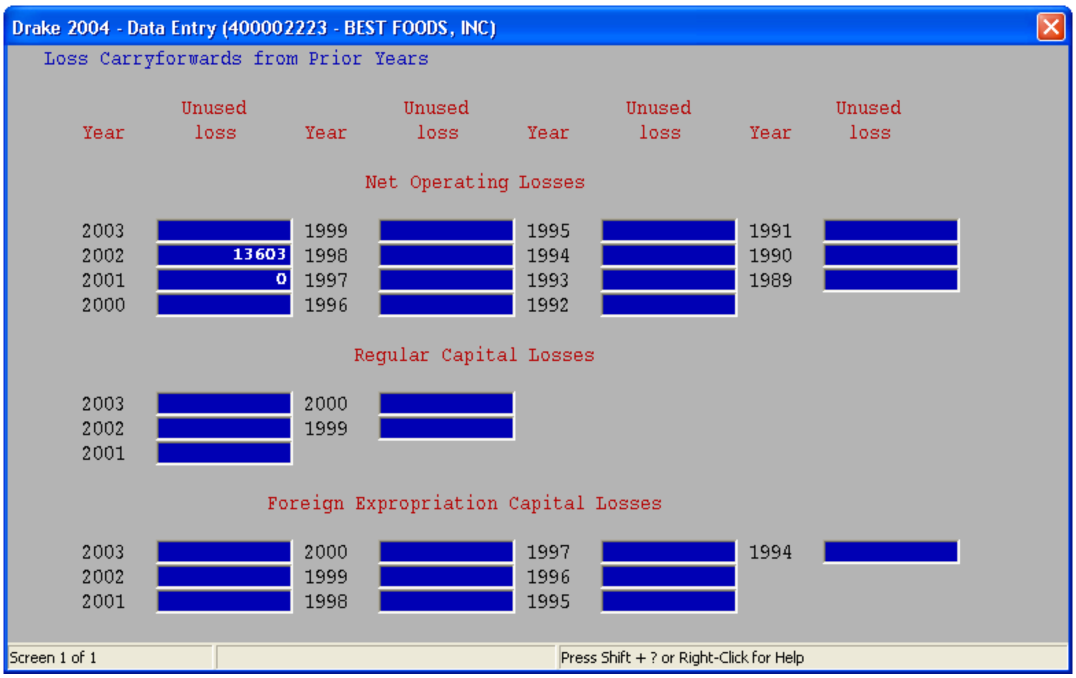


Loss Screen - Loss Carryforwards from Prior Years

Enter [LOSS] in the selector field to enter the information below (see Figure 59 below).

Fields	Data
NOL – Unused for Year 2002	13603
NOL – Unused for Year 2001	0

Figure 59: Loss/Carryforwards, **"LOSS"** screen



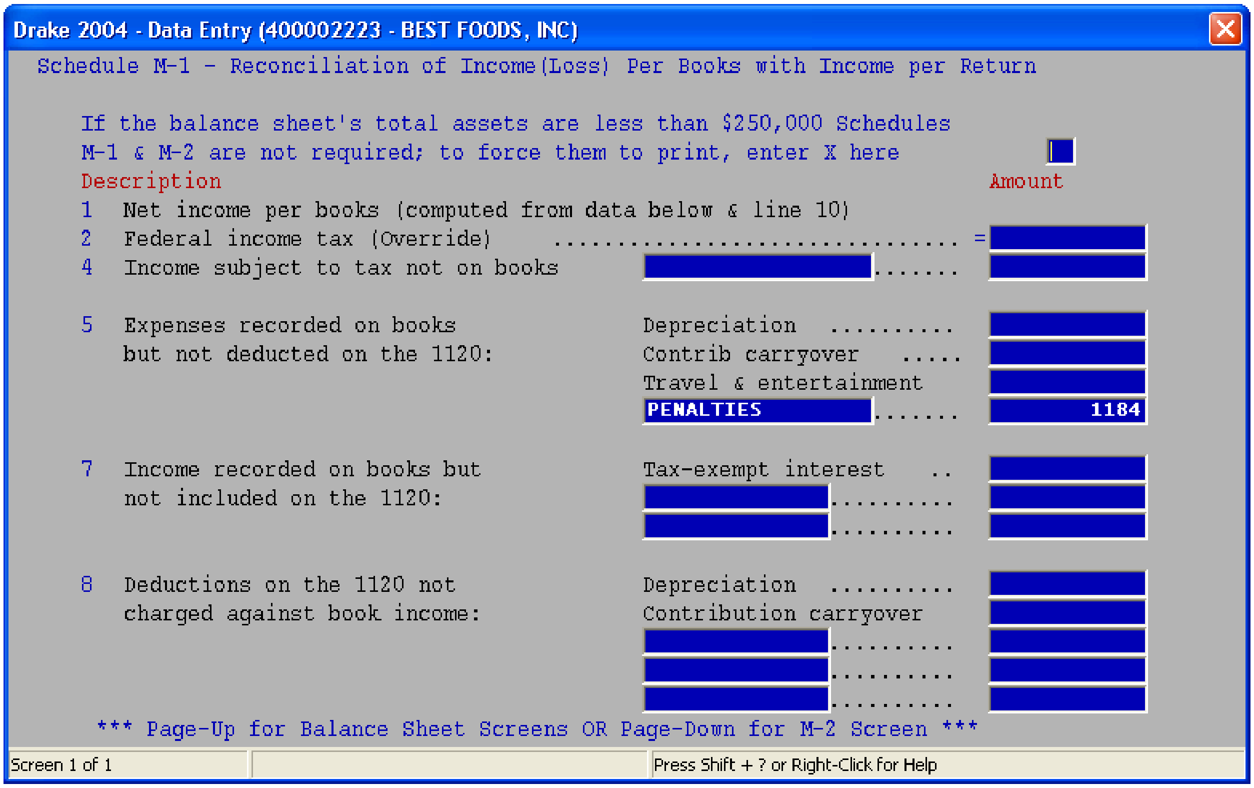
Schedule M1 – Reconciliation of Income

Enter [M1] in the selector field to open the Schedule M1 (see Figure 60 on page 97). Line 5 on this screen has a blank field for description entries. In the example below, you would enter "Penalties" in that box and 1184 in the amount field next to it.

Table 1:

Fields	Data
Line 5, Expense Item Box	Penalties
Line 5, Amount Field	1184

Figure 60: Schedule M-1 Reconciliation of Income, **"M-1"** screen

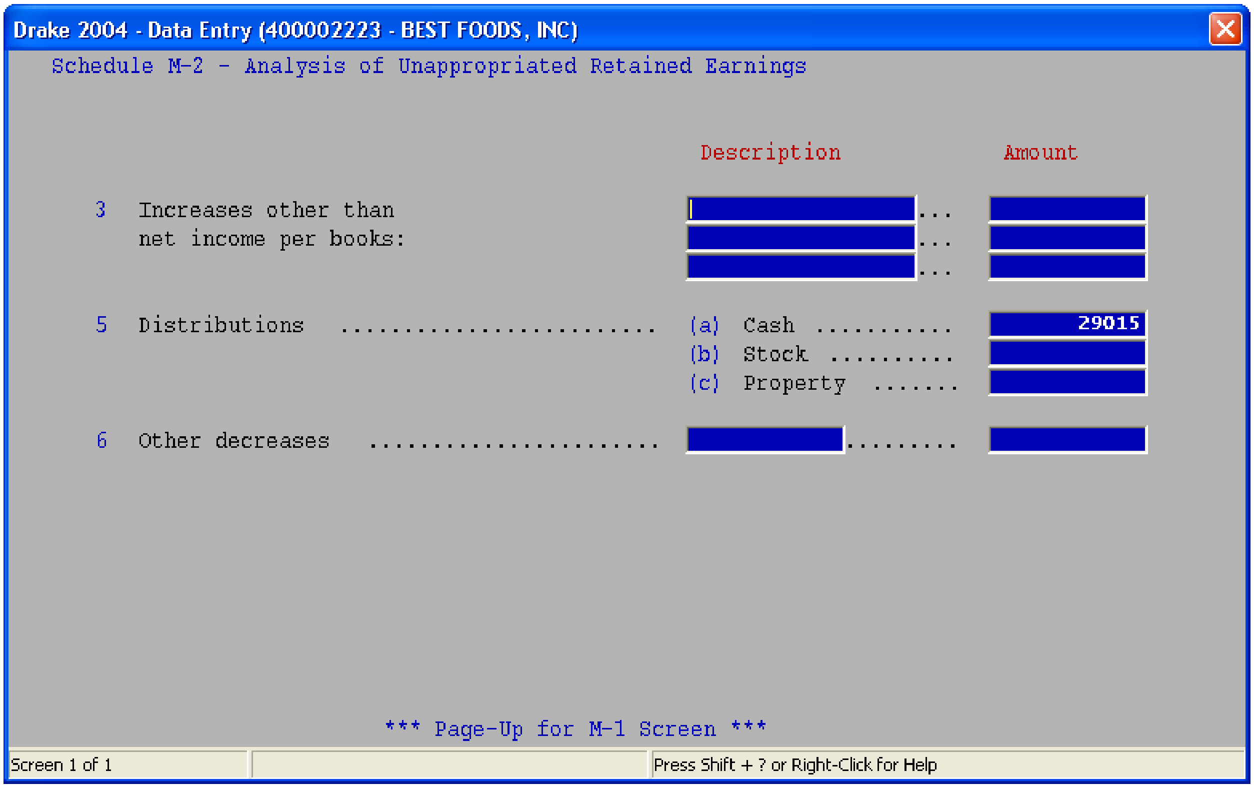


SCHEDULE M2 – RETAINED EARNINGS

Enter [M2] in the selector field to open Schedule M2 (see Figure 61 on page 98). Enter the following information. Line 5 on this screen has a field for the cash amount. In the example below you would enter 29015 next to box a, Cash Amount.

Fields	Data
Line 5, Distributions, (a) Cash Amount	29015

Figure 61: Retained Earnings, **"M-2"** screen



Review Questions Part 5

Answer the questions below. See “Answers Part 5” on page 100 for explanations of answers.

1. In Drake software, when entering EINs, SSNs or dates, what format is required?

   a) Enter these numbers with the appropriate dashes.

   b) Enter these numbers with a forward slash (/).

   c) Enter these numbers without dashes, slashes, dollar signs or commas.

   d) None of the above is correct.

2. On a Corporate Schedule L in Drake Software, how can you access the remainder of the fields; 16-26?

   a) [SHIFT] + [PAGE DOWN]

   b) [PAGE DOWN]

   c) [END]

   d) [ALT] + [END]

3. How is the corporate return started in Drake Software?

   a) Purchase the extra package and install. Then enter the EIN.

   b) From the toolbar, click [OPEN], enter the EIN and select C Corp.

   c) You cannot. Drake Software is an 1040 only package.

   d) From the toolbar select [C Corp].

4. On the 4562, how can you indicate an asset is used 100% for business purposes?

   a) Leave the “Business use %” field blank. Drake Software defaults to 100%.

   b) Enter 100 into the “Business Use %” field.

   c) Calculation of this item must be done outside the program.

   d) Both A and B are correct.

5. How do you indicate a number is a negative number?

   a) Put the number in parenthesis.

   b) Use [ALT] + [R] to make the number red.

   c) Put a [-] in front of the number.

   d) None of the above.

ANSWERS PART 5

1. The correct answer is **C, Enter these numbers without dashes, slashes, dollar signs or commas.** Entering these symbols will cause the return to be rejected when e-filed.

   A is incorrect. Do not use dashes (-) when entering EINs, SSNs or dates.

   B is incorrect. Do not enter EINs, SSNs or dates with a slash (/).

   D is incorrect. Answer C describes the correct format when entering EINs, SSNs and dates.

2. The correct answer is **B, [PAGE DOWN].** Press [PAGE DOWN] to access fields 16-26 on the Corporate Schedule L.

   A is incorrect. [SHIFT] + [PAGE DOWN] does not produce the second screen of the Corporate Schedule L.

   C is incorrect. [END] is used to move a cursor to the last field on a screen. It will not produce a second screen.

   D is incorrect. Combining [ALT] + [END] will not produce the second screen in any circumstances in *Drake* data entry.

3. The correct answer is **B, From the Toolbar, click [OPEN], enter the EIN and select C Corp.** Follow this path to create a new corporate return in *Drake*.

   A is incorrect. It is not necessary to purchase an additional Corporate package. The Corporate package is included in the *Drake Tax Solution* software.

   C is incorrect. This statement is false. The Corporate package is included in the *Drake Tax Solution* software.

   D is incorrect. There is not a [C Corp] option on the Toolbar.

4. The correct answer is **D, both A and B are correct.** You can either leave the "Business use %" field blank and Drake Software will default to 100%, or you can enter 100 in the "Business use %" field. Both of these methods produce the same results.

   A is incorrect. Although you can leave the "Business use %" field blank and it will default to 100%, it is not the only correct answer.

   B is incorrect. Entering 100% in the "Business use %" will also produce the correct results, but this is not the only option available.

   C is incorrect. It is not necessary to calculate this item outside the program.

5. The correct answer is **C, Put a [-] in front of the number.** Always indicate a negative number in *Drake* data entry with a dash [-] negative symbol.

   A is incorrect. When working with paper tax forms, a parenthesis would appropriately indicate a negative number, but in *Drake* data entry this is never the case.

   B is incorrect. [ALT] + [R] does not turn numbers red in data entry.

   D is incorrect. This statement is false because answer C is correct. Enter [-] in front of a number to indicate a negative number.

Appendix

Data Entry Navigation

Action	Keyboard Keys
Move cursor **forward** one field	ENTER, TAB or use the DOWN Arrow
Move cursor **back** one field	SHIFT + TAB or UP Arrow
Move cursor within a field	RIGHT/LEFT Arrows
Delete character **behind** the cursor	BACKSPACE
Delete character **before** the cursor	DELETE
Insert character within existing text	INSERT (on)
Move to the **last** field on the screen	END
Move to the **first** field on the screen	HOME
Create additional Data Entry screens (e.g., W-2, 1099, schedules, etc.)	PAGE DOWN or CTRL + PAGE DOWN
Return to previous screen (exit)	ESC
Note: Use the mouse to position the cursor in a desired field.	

Overrides and Adjustments to Return Calculations

Override Fields	Adjustment Fields
Data Entry fields that allow overrides are preceded by an equal sign (=). An amount entered in these fields overrides program calculations.	Data Entry fields that allow adjustments are preceded by a plus sign (+). An amount entered in these fields adjusts program calculations. Enter a negative number to subtract an amount.

HOT KEYS

Action	Hot Keys	Additional Notes
Access help text during Data Entry	SHIFT +?	With the cursor in the field, press [Shift + ?] for Data Entry information. If selections are listed, select the desired choice and press [ENTER] to insert data.
Exit a Data Entry screen without saving changes	SHIFT + ESC	Press [ESC] to exit and save changes in Data Entry.
Verify a valid Social Security Number	ALT + ?	After the SSN has been entered, press [Alt + ?] for SSN verification.
Insert the current date in any date field.	ALT + D	CAUTION! [CTRL] + [D] deletes the screen!
Calculate a return	CTRL + C	Open the return in Data Entry and press [CTRL + C]
View a return	CTRL + V	Open the return in Data Entry and press [CTRL + V]
Print a return	CTRL + P	Open the return in Data Entry and press [CTRL + P]
Split MFJ return to MFS return	CTRL + S	Open the joint return in Data Entry and press [CTRL + S]
Populate the Amended or "**X**" screen with data from the last calculation	CTRL + X	Use [CTRL + X] to update the Amended screen. This screen corresponds with Column "A" on the 1040X. After the "X" screen is populated, make changes to the other screens in the return. Screens other than the "X" will be used to calculate Column "B" on the 1040X.
Change or return to Data Entry	CTRL + E	Toggles pre-prepared and full-screen Data Entry. Also, returns to Data Entry from view mode or print mode.
Undo the most recent, unsaved change.	CTRL + U	Available in Data Entry
Open an unformatted schedule	CTRL + W	Place the cursor in the desired field and press [CTRL + W] for a detail worksheet. Note: If all data has been removed from a data entry screen, the screen must be deleted to prevent e-filing errors.
Toggle Between heads down and standard Data Entry	CTRL + N	In Data Entry, use [CTRL + N] to turn on the numbers that correlate with fields in the Proformas.
Delete a Data Entry screen	CTRL + D	With cursor in any field, press [CTRL + D] to permanently remove the screen. Note: If all data has been removed from a Data Entry screen, the screen must be deleted to prevent e-filing errors.
Change the DCN of the return.	CTRL + M	Change the Declaration Control Number in a return by opening the return and selecting [CTRL + M].
Activate the pop-up calculator	F10	Available in Data Entry

POP-UP CALCULATOR FUNCTION

There are three ways to enter numbers and their operators: (1) using the numeric keypad on the keyboard, (2) using the numbers on the typewriter keyboard, or (3) using the mouse to click the numbers and operators.

Function	Operator	Instructions
Addition	+	Enter the number to be added and press [+].
Subtraction	-	Enter the number to be subtracted and press [-]
Multiplication	*	Enter the first number in the equation and press [*]. Then enter the second number and press [=] on the screen to complete the calculation.
Division	/	Enter the number to divide and press [/]. Then enter the number that divides the first number. Press [ENTER] on the keyboard or [=] on the screen to complete the calculation.
Clear a number	NUM-LOCK	Press the [NUM-LOCK] key on the numeric key pad to clear the current calculation.
Insert calculation total in Data Entry field	F1 or **F1-Insert Result** Tab	With the desired total in the summary field, press [F1] on the keyboard, or the F1 Insert Result Tab on the screen. The calculator disappears and the calculation total transfers to the Data Entry field where the cursor is located.
To turn on the calculator	F10	Press [F10] to activate the calculator.
To turn off the calculator	ESC	To deactivate the calculator without inserting data in a field, press [ESC] on the keyboard or the ESC-Quit tab on the screen.

Frequently Used Codes for Data Entry

Field	Code	Application
TS or TSJ	T	Data is assigned to the primary taxpayer.
TS or TSJ	S	Data is assigned to the spouse.
TS or TSJ	J	Data is assigned to both the taxpayer and spouse.
F	Blank or 0 (zero)	To exclude data from the federal return, enter 0 (zero).
ST	State Code	If a State return is being prepared, enter the appropriate two-letter state code (postal service abbreviation). If the field is left blank, the program defaults to the resident state.
ST	0 (zero)	To exclude data from any state return.
ST	PY	When preparing multi-state returns, use PY as the resident state code on "**Screen 1**" Do NOT use PY on any other screen.
C	City Code	When preparing city returns, enter the appropriate city code to indicate the source of income.
Multiple Form Code	1-99	When preparing Form 4562 (depreciation), indicate the appropriate schedule for the depreciated item and indicate where the information should be carried when there are multiple schedules.

Glossary of Menu Items

Task	Description	Location
Amortization	Prepare and print an amortization schedule using information furnished by the user. Amortize assets	Tools > Amortization 4562 in a return
Backup	Backup the Client files, EF Database, Setup and Pricing files.	Tools > File Maintenance > Backup
Restore	Restore Client files, EF Database, Setup and Pricing Files.	Tools > File Maintenance > Restore
Blank Forms	Comprehensive list of Drake calculated Forms and Forms not available in the software to print or view. Blank Proformas and Organizers are available in "**Blank Forms**"	Tools > Blank Forms
Build EINs from 2003	Update EIN database from the prior year.	Last Year Data > Build EINs from 2003
Change File Type	Changes the Return Type (Individual, Partnership, Corporate, Sub-S Corp, Fiduciary, Tax Exempt).	Tools > File Management > Change File Type
Calculate	Calculate single or batches of returns.	File > Calculate Returns

Task	Description	Location
Change SSNs on File	Correct file name when changing a social security number.	Tools > File Maintenance > Change SSNs on File
Check Register	Prints a check register as a record.	EF > Check Register
Check Print	Print new checks or reprint damaged checks.	EF > Check Print
Clear BBS files	Delete BBS files after they are installed.	Tools > File Maintenance > Clear BBS Files
Client Reports	Generate reports based on default or user identified criteria.	Reports > Reports > Standard or Custom
Colors	Edit default colors displayed on-screen	Setup > Colors
Copy EF Returns to Disk	Copy print files of calculated returns from the hard drive to a disk.	EF > Copy EF Returns to Disk
Copy EF Returns from Disk	Copy print files of calculated returns from a disk to the hard drive.	EF > Copy EF Returns to Disk
Delete Client Files	Permanently delete client files.	Tools > File Maintenance > Delete Client Files
Delete Print Files	Delete the temporary print files that are created when returns are calculated.	Tools > File Maintenance > Delete Print Files
Depreciation List	Print a list of client's depreciable assets.	Reports > Depreciation List
Directories/Paths	Set up CD drive letter, drive location of current year, last year's files and shared drive letter for peer-to-peer networks.	Setup > Directories/Paths
Download Fonts	Copy Softfonts, which are necessary to print tax forms, to the printer. This must be run each time the printer is turned off.	Tools > Download Fonts
Edit EIN Database	Edit specific employer information in the EIN Database.	Tools > Edit EIN Database
EF Reports	Create standard and custom reports of EF data.	Reports > Reports > Standard or Custom
E-mail to Drake	Send email directly to technical support. Receive broadcast emails from *Drake*, including a weekly update on tax changes, program tips and more.	EF > email to Drake
Envelopes	Print envelopes.	Tools > Letters > Envelopes
Export Client Data	Exports data to a database file that can be opened and used for generating reports in Access, Excel, etc.	Tools > File Maintenance > Export Client Data
Export EF Data	Export data to a database file that can be opened and used for generating reports, in Access, Excel, etc.	Tools > File Maintenance > Export EF Data
Filled In Screens	Print the Data Entry screens for a return.	Reports > Filled in Screens
Firm	Set up the preparer's firm information. This is the information that prints on the bottom of 1040s.	Setup > Firm
Fixed Asset Manager	Print various asset reports.	Reports > Fixed Asset Manager

Task	Description	Location
Hash Totals	Print a report showing the number of screens, fields and keystrokes used on one return.	Reports > Hash Totals
Install Updates	Install disks, CDs or install Service Pack files online.	Tools > Install Updates
Letters	Edit the coupon, estimate, pre-season, after-season and result letters for clients.	Setup > Letters
Letterhead	Activate or remove graphic letterhead for letters and bills.	Setup > Letterhead
Macros	Set up shortcut keys for commonly used words, phrases, addresses, etc. Samples are pre-programmed to show examples of input.	Setup > Macros
Mailing Labels	Generate mailing labels for clients, service centers, DORs, etc.	Tools > Letters > Mailing Labels
Open Returns	Open an existing return or create a new one.	File > Open Returns
Options	Set user preferences that affect viewing, printing, calculation, optional documents, EF, etc.	Setup > Options
Organizers	Print client information and pre season sheets for gathering tax data based on last year's information.	Last Year Data > Organizers
Password Protect Files	Lock a file with a Password. The preparer must remember or write down the password. There is no way to open the file without the correct password. Drake Support does not have access to the password.	Tools > File Maintenance > Password Protect Files
Pay Per Return	Activate, order and view availability of returns for Pay Per Return clients.	Setup > Pay Per Return
Postcards	Addresses post cards to a selected group of clients.	Tools > Letters > Post Cards
Preparers	Set up Preparer information and level of security. Also set up hourly rates, password and PIN.	Setup > Preparers
Pre-Prepared Entry	Enter data from a return that has been previously prepared. This utility allows direct data entry to IRS forms; returns are not calculated through the program.	File > Pre-Prepared Entry
Pricing	Set prices per form or per item.	Setup > Pricing
Print	Print single or batch returns.	File > Print
Printer Setup	Select printers and settings to use in program.	Setup > Equipment > Printer Setup
Process Acks	Print and post IRS, State, and Bank acknowledgements.	EF > Process Acks
Proformas	Print a summary of the prior year's return on an interview sheet.	Last Year Data > Proformas

Task	Description	Location
Quick Estimator	Prepare a quick estimate of the tax return with minimal data entry. Save information for later tax preparation.	File > Quick Estimator
Quickbooks Import	Import a client file created in Quickbooks	Tools > File Maintenance > Quickbooks Import
Repair Index Files	Re-index all database and client files.	Tools > Repair Index Files
Reprint Damaged Check	Reprint damaged checks.	EF > Check Print
Search EF Database	View client e-file status, EF information, reject code and reject code description.	EF > Search EF Database
Security	Administrator can set security levels for each preparer.	Setup > Preparers
Select Returns for EF	Select from a list of calculated returns to create an electronic transmission file.	EF > Select Returns for EF
Setup New (Checks)	Enter check range when new checks are received from bank	EF > Check Setup > Setup New
Transmit/Receive	Connect and transmit return.	EF > Transmit/Receive
Unlock Client Files	If a file has been locked, use this option to unlock and edit the return.	Tools > File Maintenance > Unlock Client Files
Update 2003 to 2004	Update the previous year’s client data.	Last Year Data > Update 2003 to 2004
Update Config 2003-2004	Bring forward last year’s setup; e.g., firms, preparers, pricing, macros, etc.	Last Year Data > Update Config 2003 to 2004
View	View the forms generated for a return	File > View Returns
Void Unused Check	Void checks in the system that have not been printed.	EF > Check Setup > Void Unused Check

Valid City Codes

When entering city returns, the following codes are used to access city screens. Type the two-letter code in the selector field.

DE	NY	MI	MO
• **WM**—Wilmington	• **NY**—New York City • **YO**—Yonkers	• **AC—**Albion • **BC**—Battle Creek • **BR**—Big Rapids • **DT**—Detroit • **FT**—Flint • **GC—**Grayling • **GR—**Grand Rapids • **HC**—Hamtramck • **HP**—Highland Park • **HU—**Hudson • **IC**—Ionia City • **JC**—Jackson • **LN**—Lansing • **LP—**Lapeer • **MC**—Muskegon • **MH**—Muskegon Heights • **PC—**Portland • **PH**—Port Huron • **PT**—Pontiac • **SG**—Saginaw • **SP—**Springfield • **WL**—Walker •	• **KC**—Kansas City • **SL—**St. Louis
• **PY**—Part-Year (use only on **“Screen 1”** in “Resident State” field)			

New York city codes are entered NY or YO, with the exception of W2 locality codes, when they should be entered NYC or YONKERS.

Glossary

Bank Products

Enable a taxpayer to receive a refund faster and assist with paying for tax preparation service or any money owed to the IRS.

CBT

Computer Based Tutorial. CBTs enable the tax preparer to learn the basics of the software through short instructional videos.

CCH

The US Master Tax Guide Plus from CCH Incorporated is a comprehensive online tax information library available though the “Tax Help” speed button on the toolbar.

Data Entry Selection Menu

The “home base” for return preparation.

Direct State

E-filed returns that are sent directly from *Drake* to the State E-file Center. Only a few states require direct filing (CA, IL, MA, ME, MN).

EFIN

Electronic Filing Identification Number. Preparers new to e-filing must apply for an EFIN by preparing and submitting an 8633 to the IRS.

Email to Drake

Used to send and receive email in the *Drake* program.

Broadcast Email

Email that provides information on important IRS updates and software changes. Receive these messages in Help > Email to Drake.

ERO

Electronic Return Originator. To become an ERO, preparers must apply for an EFIN.

FAQ Screen

Frequently Asked Questions. Type “FAQ” in the selector field to access additional information.

Heads Down Data Entry

Uses field codes that correspond with interview sheets (proformas). Data can be gathered by a tax preparer and entered by a data entry operator.

Hot Keys

Enable the user to perform specific actions quickly and easily using the keyboard. For example, press [CTRL] + [C] to calculate a return.

Menu Bar

The list of menu options across the top of the Drake screen.

MESSAGES Page

Red pages that appear in View or Print Mode when a return has certain issues that would cause an IRS/State rejection. You cannot select a return for electronic filing with a red MESSAGES page. Correct the issue and view the return. If the MESSAGES page is gone, the return can be e-filed.

NOTES Page

The yellow NOTES page provides reminders or tips about a tax return and does not prevent e-filing.

PDF

PDF format allows *Drake* manuals and other materials to be viewed and printed directly from the CD. PDF (Portable Document Format) is a file format that captures all the elements of a printed document as an electronic image that can be viewed, navigated or printed. PDF files are created in Adobe Distiller, PDF995, or similar products. View the files with Adobe Reader.

Piggyback

E-filed state returns that are sent with the Federal return to the IRS. If the Federal return is rejected, the state return is not sent.

Print mode

Enables the printing of the forms associated with a return. Press [CTRL] + [P] to enter Print mode.

Selector Field

In data entry, the entry field located in the bottom left corner of the screen. Type corresponding screen codes in the field and press [ENTER] to access data entry screens.

Service Packs

Program updates that can be installed through an internet connection. From the menu bar, go to Tools > Install Updates.

Speed Button

Used for quick access to commonly used program functions. Speed Buttons are located on the toolbar directly under the menu bar.

Split Return

Press [CTRL] + [S] to split a MFJ (Married Filing Joint) return into two MFS (Married Filing Separate) returns, enabling the preparer to easily compare and determine the best option for the taxpayers.

State Only

E-filed returns that can be sent through an IRS Service Center to a state by themselves. Unlike Piggyback state returns, State Only packets are reviewed by the state, regardless of the IRS acknowledgement.

View Mode

Enables you to view the actual forms that print with a return. Press [CTRL] + [V] to enter View mode.

CPE Exam

Answer the questions below. See "CPE Exam Answer Sheet" on page 115 for answer sheet and instructions for receiving credit.

1. In *Drake* **Setup > Options**, which tab would I select to change state options?

   a) EF Tab

   b) Optional Items on a Return Tab

   c) Billing Tab

   d) State Tab

2. What operation does [CTRL] + [S] perform?

   a) Splits a Married Filing Joint return into two Married Filing Separate returns.

   b) Opens a return.

   c) Saves a return.

   d) Saves Firm and ERO information.

3. What information is provided on WK_EIC?

   a) A check list for Additional Child Tax eligibility.

   b) A check list for EIC due diligence.

   c) Calculation used for determining EIC amounts.

   d) Calculation used for determining ACTC amounts.

4. Which of the following would not be used when electronic filing with *Drake Software*?

   a) Form 8453.

   b) Form 8879.

   c) The signature lines on the bottom of the 1040.

   d) PIN Screen.

5. Which pages in view mode of *Drake Software* would prevent electronic filing?

   a) NOTES pages

   b) Form 8879

   c) Form 8453

   d) MESSAGES pages

6. Which key combination inserts the current date into a data entry field with *Drake Software*?

   a) [CTRL] + [D]

   b) [CTRL] + [F]

   c) [ALT] + [D]

   d) [SHIFT] + [D]

7. True or False: A Form 4797 can be created by filling out the date sold, the selling price and the property type on the 4562 screen.
8. Automobile expenses are created from what screen in *Drake*?
   a) 4562
   d) 4797
   c) AUTO
   d) C
9. Once a W-2 has been entered in *Drake*, how can you create another blank form for a second W-2?
   a) Press [Insert].
   b) Press [Page Down].
   c) Press [F3].
   d) Press [ESC].
10. What information is found on WK_8812?
    a) Due diligence information for the Child Tax Credit.
    b) Due diligence information for the EIC.
    c) Calculation for the Advanced Child tax Credit.
    d) Calculations for the Child Tax Credit.
11. Within *Drake Software* on the C screen, how can I find the business code?
    a) You cannot. You must check the Schedule C instructions.
    b) In the business code field Press [Shift] + [?].
    c) You cannot. The client will know the appropriate code.
    d) In the business code field press [ESC].
12. Press [F4] from EF > Search EF Database. This gives you access to what information?
    a) Taxpayer demographics
    b) Federal Reject Codes
    c) Bank or Direct Deposit Information
    d) Sends you to "Your EF Database" on support.drakesoftware.com
13. How can you access blank federal and state forms within *Drake Software*?
    a) From the Menu Bar choose Tools > Blank Forms
    b) From the Menu Bar choose Setup > Options > Blank Forms
    c) You cannot get blank forms within the software
    d) Open a return and enter no information
14. True or False: You can email returns, inquiries or information to *Drake* from within the software.

15. Which one of the following is NOT a method for opening a return in *Drake Software*?

    a) Type the SSN or EIN in the top box of the "Open a Return" window.

    b) Press [F3] from the "Open a Return" Window.

    c) Select the desired return from those returns displayed in the lower box of the "Open a Return" window.

    d) Type a last name or company name in the entry field of the "Open a Return" box and press [ENTER].

16. How do I file an amended return with *Drake*?

    a) Print out the blank form, complete it and mail to the IRS.

    b) Reenter the return. Go directly to the [X] screen. Press [CTRL] +[X]. Then enter the changes needed to amend the return. Select for EF.

    c) Reenter all information into the return and reprint. Mail to the IRS.

    d) Reenter the return. Go directly to the [X] screen. Press [CTRL] +[X]. Then enter the changes needed to amend the return. This return must be paper filed to the IRS.

17. Is it possible to create a Part Year Return with *Drake Software*?

    a) Yes, enter [PY] as the resident state on screen 1.

    b) Yes, Type [PY] in the return selector field and fill out the screen.

    c.) Yes, create two separate returns.

    d.) No.

18. Which of the following does not calculate a return?

    a) Press [CTRL] + [C].

    b) Click the [CALC] button on the toolbar.

    c) Exit the return. (After selecting "Auto Calculate Return when exiting data entry" from **Setup > Options > Calculate View/Print Tab**).

    d) Press [CTRL] + [E].

19. True or False: You can electronically file live returns with the temporary EFIN given to the user by *Drake Software*.

20. Which of the following methods of payment or refunds can be executed with *Drake*?

    a) An automatic withdrawal of funds from taxpayer's bank or savings account on a selected date in the future.

    b) A direct deposit into the taxpayer's bank or savings account.

    c) A refund check printed in the tax preparer's office.

    d) All of the above.

21. True or False: A Broadcast Email is an email sent from *Drake Software* to inform clients of important changes to the software and items of interest from the IRS.

22. True or False: EIN, SSN, telephone numbers and dates must be entered with dashes or slashes to prevent confusion.

23. How can you access the CCH online Master Tax Guide Plus?

    a) Purchase the product through CCH and obtain a login and password.

    b) Select **Tax Help** from the **toolbar**.

    c) From the **Menu Bar** select **Help > CCH Tax Research**.

    d) Both b) and c) are correct.

24. Which of the following are offered with the Drake Software package?

    a) The ability to email *Drake.*

    b) Blank federal and state forms for viewing and printing.

    c) Electronic filing and Bank products.

    d) All of the above.

25. True or False: You can electronically file an amended return using the [X] screen in *Drake Software.*

CPE Exam Answer Sheet

Circle the appropriate response on this answer sheet for each of the questions on the CPE Exam.

1.	A	B	C	D
2.	A	B	C	D
3.	A	B	C	D
4.	A	B	C	D
5.	A	B	C	D
6.	A	B	C	D
7.	True	False	n/a	n/a
8.	A	B	C	D
9.	A	B	C	D
10.	A	B	C	D
11.	A	B	C	D
12.	A	B	C	D
13.	A	B	C	D
14.	True	False	n/a	n/a
15.	A	B	C	D
16.	A	B	C	D
17.	A	B	C	D
18.	A	B	C	D
19.	True	False	n/a	n/a
20.	A	B	C	D
21.	True	False	n/a	n/a
22.	True	False	n/a	n/a
23.	A	B	C	D
24.	A	B	C	D
25.	True	False	N/A	N/A

Please return completed Exam and Evaluation (see “2004 Evaluation” on page 116) before January 1, 2006 to: Education Department, Drake Software, 235 E. Palmer Street, Franklin NC 28734.

2004 Evaluation

Please take a moment and let us know what you think. We value your input and suggestions and strive to continually improve our educational tools to better suit your needs. For CPE credit, complete your name and address along with your evaluation of the course material. Credit is awarded to a score of 70% or better. Earn 5 credits, based on a 50-minute hour (for California CTEC credits, 3 federal hours*/0 CA hours, based on a 100-minute hour). Your CPE certificate will be mailed to you.

Please Print All Information Clearly. Circle the designation that applies to you.

CPA PA Enrolled Agent Tax Practitioner Attorney Other

Your Name (Mr/Mrs/Miss/Ms) ______________________________

EFIN____________________ CTEC # (for CA)______________

Email: ____________________ Phone ____________________

Firm Name ______________________________

Address ______________________________

City __________________________ ST ______ Zip ____________

Regarding Content and Media (please circle Yes or No)

- If applicable, were prerequisites appropriate? Yes or No
- Were the handout or advanced preparation materials satisfactory? Yes or No
- Was the time allotted to the learning activity appropriate? Yes or No
- Were the stated learning objectives met? Yes or No
- Were program materials accurate? Yes or No
- Did the Evaluation Guide and Software contribute to the achievement of the learning objectives? Yes or No

Comments:

____

____

____

To receive your CPE certificate, you must sign this form.

Your signature

____

Your Name (please print)

____

* A Course Report and Student List for this Evaluation will be submitted on the 15th of each month to www. ctec.org.

Index

G

H

K

M

N

O

P

R

